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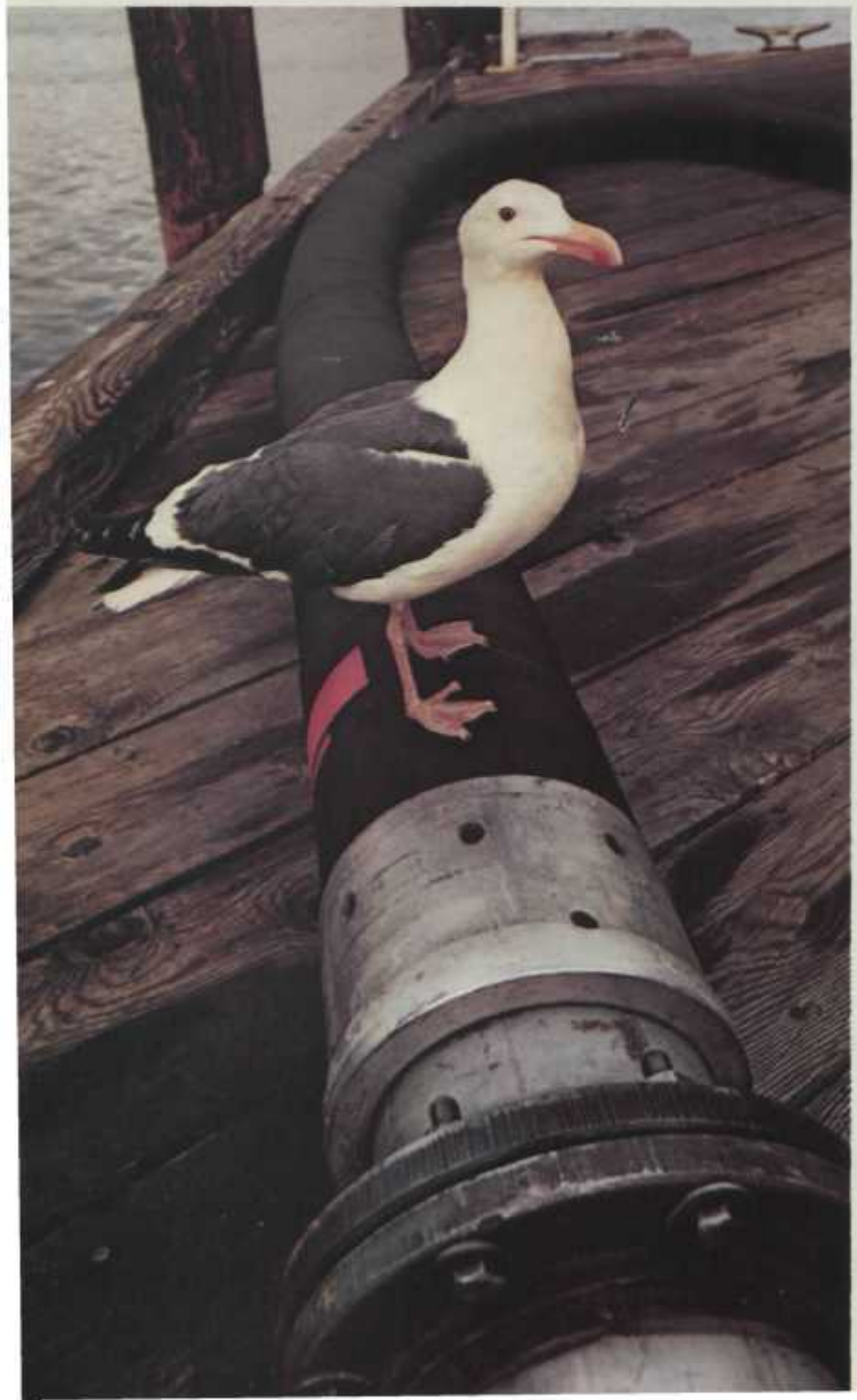
JUNE 1973

Nation's Business

EARL BUTZ: PLOWING NEW FURROWS FOR U.S. AGRICULTURE



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Nation's Business

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Cover photograph by Yoichi R. Okamoto

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NUMBER 6 | UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING
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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

Some of you have told us you were distressed that our cover picture last month was of John Ehrlichman and that the issue featured an interview with him.

Unfortunately, the magazine reached most of you after Mr. Ehrlichman had resigned as the President's assistant in charge of domestic affairs.

When the interview took place, Mr. Ehrlichman was one of the President's closest advisers and was in charge of his efforts to reduce federal spending. It was perfectly logical to discuss those efforts with him.

By the time Mr. Ehrlichman's name hit the headlines in connection with the Watergate affair our magazine was on the press. By the time he resigned, it was off the press. There was no way to recall more than 900,000 copies in the mail.

Whatever his involvement with Watergate, Mr. Ehrlichman's views on federal spending represented those of the Administration and were worth knowing.

• • •

The Watergate scandals—deplorable as they are—are having an impact on many facets of government and public opinion.

One risk is that they will scare away honest businessmen from participation in politics (see editorial on page 72).

Another effect is to sidetrack, at least temporarily, some other mighty important problems that need governmental attention.

As Arch Booth, Chief Executive Officer of the National Chamber, put it, it would be tragic "if Watergate should turn the tide against the New Federalism which the President has proposed to make government at all levels more efficient and effective in meeting the people's needs."

• • •

The struggle between the President and big spenders has nothing to do with Watergate. It has to do with raising your taxes or creating a federal deficit that will send inflation through the roof—unless spending is curbed.

The President's effort to obtain a new foreign trade bill from Congress also has nothing to do with Watergate. Our balance of payments situation keeps getting worse and our international monetary problems more desperate.

Yet the hostility between Congress and Mr. Nixon threatens the trade bill which our country so badly needs.

• • •

You'll find a thoughtful analysis of this problem on page 60 by Rep. Peter Frelinghuysen, second-ranking minority member of the House Foreign Affairs Committee and chairman of the Task Force on International Economic Policy of the House Republican Conference.

• • •

Some longer-range problems also need more attention than today's headlines.

One is our agricultural future. We need more production and less federal controls to help bring prices down. We also need more production so we can sell our products abroad and help that balance of payments problem.

For an inside story on how Agriculture Secretary Butz feels about these issues, see page 28. (Incidentally, he is absolutely not planning to resign.)

• • •

Another long-range problem that needs attention is Social Security. For a good many years the benefits and taxes have increased steadily. In fact, the taxes have gotten so high that many a worker pays more for Social Security than he does in income tax.

And of course, if you're an employer, you're acutely aware that you match each of his dollars in tax payments.

The question is where it will all end. Some people want to broaden benefits no matter what it would cost.

A strong opponent of their point of view is Robert J. Myers, for 23 years chief actuary of the Social Security system. Frankly, he doesn't think they are being practical.

We think you'll find his opinions, starting on page 53, interesting and—perhaps—alarming.

(Incidentally, he left government three years ago.)

Jack Wooldridge

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Letters

Television's Taste Defended

• It is not surprising that the preponderance of replies to your "Sound Off to the Editor" question, "Is Television Too Raw?" [March] were critical. The article made a strong case to support its headline and, in essence, asked for agreement with that position by reply coupon.

Because television goes into the home and is accessible to all members of the family, it is the most restrained of all the media.

Movies, books and magazines available from the newsstand and public libraries—even newspapers—regularly utilize material which is not acceptable for television. All of these go much further in terms of themes, subject matter, explicitness, etc., than television.

Things do appear on television from time to time which offend some people. But compared with the volume of television programming, the amount is not large and the offenses occasional.

One of the real difficulties is that this is an area where judgments are quite subjective.

For example, your article singles out "Patton" for criticism; the implication is that it should not have been allowed on the air because of "barracks language." In fact, some of the language was cut out, although some was left in to preserve the authenticity of the character and the situation. Apparently the decision was that the film was an excellent one and merited showing, and that its drawbacks were not sufficient to ban it from television. Some may feel that was a wrong decision; but most people apparently agreed with it.

The decision on whether to broadcast "Patton" is typical of decisions broadcasters must make every day.

In the end, it comes down to questions of good taste and judgment. To contend that homosexuality, abortion and other subjects are not under any circumstances suitable for television either in discussion programs or as themes in dramatic shows is an extreme position that would force television to shelter society from reality.

Since no single or precise standard of taste or morality exists, those presenting television programming must exercise judgments based on experience.

Under the guidance of the TV Code of the National Association of Broadcasters, broadcasters take that responsibility seriously. We feel that, with occasional controversial judgments, they do present programming acceptable to the vast majority of the American public.

JAMES H. HULBERT
Executive Vice President
Public Relations
National Association of Broadcasters
Washington, D.C.

• As you are fully aware, opinion-seeking in this manner has many pitfalls. The sample is made up largely of those with some special interest in the subject. Except to the extent that your respondents offer the information in their comments, it is not possible to determine whether they have children and of what ages, what their religious backgrounds may be, or what their attitudes are toward "mature" content in other media.

ROY DANISH
Director
Television Information Office
National Association of Broadcasters
New York, N.Y.

A real champ

• Re George Foreman's article, "Don't Knock the American System to Me!" [April].

His winning the Olympics gold medal made possible an interesting statistic: There were 112 competing nations in the 1968 Games. Only 17 won as many or more gold medals as did youngsters trained at the Litton Industries-operated Parks Job Corps Center who were in the Games.

When Board Chairman Charles B. "Tex" Thornton presented George to Litton's annual stockholders' meeting in December, 1968, the champ rose and said: "I want to thank you, Mr. Thornton, and all the shareholders—the people who make Litton possible—for being the kind of company which gave me a chance, and would take a chance on someone like me. . . ."

He got a standing ovation!

COL. BARNEY OLDFIELD, USAF (RET.)
Corporate Director, Special Missions and Projects
Litton Industries
Beverly Hills, Calif.

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Letters *continued*

focus what can be done with our human resources.

I know you know how much this program means to me—and meant to the late President Johnson. I hope our government and our industry can continue to work together so well for the betterment of our land.

J.J. PICKLE (D.-TEXAS)
Member of Congress
House of Representatives
Washington, D.C.

• Articles like these should prove to everyone that the saying, "only in America," is still true. Often, if one really wants to get ahead he'll find a way.

DENNIS NORRIS
Systems Engineer
Columbus, Ohio

• In these days when it seems to be fashionable to knock this wonderful country and the press seems to take pleasure in playing down Americans who are patriotic, it's heart-warming to know there are people like George Foreman and magazines such as yours.

MRS. R.C. THOMPSON JR.
Washington, D.C.

• I am 17 years old and very much enjoyed the article. I think it shows the feeling every American should have towards his country.

THOMAS F. BUCKLEY
Fridley, Minn.

• George Foreman showed he was proud of his country when he represented it manfully and professionally (though then an amateur) in the Olympics in Mexico.

The fact that he is a Negro is also important. Too little is being done to show that Negroes should be proud of this nation.

GARLAND B. PORTER
Ernest H. Abernathy Publishing Co., Inc.
Atlanta, Ga.

Jobs' other meanings

• Re "What 100 Extra Jobs Mean to a Community?" [March]. You obviously disregarded the disadvantages that accompany the "benefits." Here's just a sample:

1. Increased school taxes.
2. Increased assessed valuation.
3. Need for sewers and sewage disposal.
4. Additional roads.
5. Probable local incorporation requiring local police, fire department, etc.
6. Associated politics, graft, corruption, etc.
7. "Ecology" problems.

J.C. WOELFLE
Manager, Logistics Department
Standard Products Division
Defense, Space and Special Systems Group
Burroughs Corp.
Paoli, Pa.

Why no window envelope?

• As a retired industrial engineer who spent 18 years designing forms for a major oil company, I was amazed by the opening paragraphs of "Creativity—A Path to Profit" [March].

Why was not the invoice mentioned so designed that the name and address thereon would be in the proper position to show through the window of a window envelope, thus eliminating the need to address an envelope? This is the most common practice in industry.

It would seem that a better example of a typist's creativity would have been to suggest using a window envelope.

JOHN P. PHIFER
Seattle, Wash.

Tribute to selflessness

• I have read with much interest the expertly-written article concerning Clayton Arnold ["The Generosity of a 'Stingy Man,'" March].

Naturally, we are pleased that Mr. Arnold's generosity to the University of Tennessee has been given national recognition through your magazine, but we are even more gratified that his unique personal qualities and philosophy have also been called to the attention of the public.

We appreciate the credit your article reflects on Mr. Arnold—and on the University of Tennessee.

EDWARD J. BOLING
President
University of Tennessee
Knoxville, Tenn.

Riding on the rise

• We were very impressed with the article, "Good Times in the Playtime Field" [March]. The article, however, left out a major recreational growth area and that is equestrian activity for pleasure. The Western wear industry is doing well, as the horse population in the United States increases annually at least 15 per cent.

CHARLES S. BAILEY
President
Bailey Hat Co.
Los Angeles, Calif.

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New Vistas Opening for the Short Flight

That long-awaited STOL (short takeoff and landing) plane to get the short-haul passenger to and from close-in airports may finally arrive because of the Air Force's quest for a replacement for its aging turboprop transport fleet.

Prototypes of the STOL are expected to be flying by 1975. If it is adapted for civilian airline use, it just might be available to the public by the early '80s.

More than half the airline trips passengers now make are less than 500 miles and, as businessmen know, getting to and from the airport takes most of the time on these short hops. In fact, a Mitre Corp. study shows that normally, 60 to 80 per cent of the travel time on flights of less than 500 miles is consumed by "access to and egress from the airport."

For years, there have been studies aimed at use of STOLs at close-in airports such as Washington's National and Chicago's Midway. Long-distance flights would continue to originate where most of them do today, at outlying airports.

Both the National Aeronautics and Space Administration and Federal Aviation Administration have plans aimed at developing STOL transportation systems. But it is the Air Force—which won out over NASA in a battle for funding of a short-haul transport—that is expected to come up with the plane.

The need for the STOL—and the airports for it to use—is expected to multiply fivefold by the end of the next decade, says Gerald Kayten, director of NASA's program.

David Sheftel, head of FAA's program, says his big problem will be converting secondary airfields close to downtowns to heavy STOL use. Many now are used for light commercial flying only.

Both Boeing and McDonnell Douglas are working on STOL models for the Air Force, which hopes eventually to buy 1,200 copies of the winning prototype.

While this type of craft will fill the Air Force's need, industry experts tend to disagree on its value for civilian use.

For example, Gordon Sim, Lockheed-California Co. director of science and engineering, thinks a version of existing wide-bodied jets with an ability to make shorter takeoffs and landings would be preferable.

RTOLs (reduced takeoff and landing) transports, if successfully developed, may cut into the initial market for STOL airliners, Mr. Sim told a recent World Airports Conference in England.

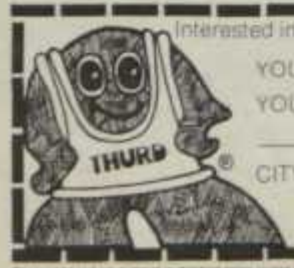
Although a businessman may be making his shorter flights in STOLs or RTOLs that are the size of present-day airliners in the 1980s, for long flights Mr. Sim sees him embarking on wide-bodied jetliners that will weigh around one million pounds and carry up to 1,000 passengers.•

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Fatigue Facts May Bring Driving Changes

New rules for interstate truck and bus drivers may result from a recent survey of driver fatigue by the Federal Highway Administration's Bureau of Motor Carrier Safety.

To collect data, drivers on 195 truck and bus runs in every part of the nation were observed under all kinds of weather and road conditions. Their mental alertness was measured at various stages of their tours of duty.

According to the FHA, the major results of the study indicate:

- Increases in driver performance errors, and significant decreases in the level of alertness, occurred near the end of the drivers' tour of duty.
- The effectiveness of rest breaks on driver performance varied with the amount of total trip time.
- Sleeper-berth drivers appeared to recover less completely from rest breaks than did relay drivers.
- There appeared to be a cumulative effect on the drivers' level of alertness on a trip of several successive days.
- The adverse effects of prolonged driving were more pronounced for

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Dallas, Tex. 75201
(214) 747-4295

Moerio Fossi
1 Northland Plaza, Suite 903
(Detroit) Southfield, Mich. 48075
(313) 352-8150

George B. Dempsey
3345 Wilshire Blvd., Suite 501
Los Angeles, Calif. 90010
(213) 386-6871

Joseph D. Keane
55 Madison Ave.
N.Y., N. Y. 10010
(212) 679-8810

Richard Hill
44 Montgomery Street, 7th Floor
San Francisco, Calif. 94104
(415) 982-6362

Richard L. Philson
2055 Limestone Rd.
Wilmington, Del. 19808
(302) 995-2251

drivers aged 45 or over than for younger drivers.

• There are marked variations in level of mental alertness, with the lowest levels occurring, for most individuals, between 2 a.m. and 7 a.m.

The federal government will analyze the results of the survey. It's a logical conclusion that the analysis will have an impact on future rule-making regarding hours of service of interstate truck and bus drivers.

The FHA reports that the survey revealed that most of the drivers approved current regulations on hours of service. These regulations, including a 10-hour driving rule, are based on a 1940 Public Health Service survey.•

Japan's Taste in Timber Suits Washington State

The U.S. balance of payments deficit may be $100 million less this year through the sale of logs to Japan and the purchase of an equivalent amount of cut lumber from Canada.

This paradox stems from Japan's traditional construction methods. While the Japanese, in the midst of a building boom, have discovered the two-by-four, it's still the old way of building houses for the most part, and that means a particular kind of wood cut in a particular way.

A proposal this spring to curb export of logs to Japan as one part of the solution to the rising cost of timber in this country brought a strong response from businessmen and government officials in the State of Washington. (Eventually, there was a compromise: the log exports will be cut 8 per cent in the next 12 months.)

Bert L. Cole, the state's commissioner of public lands, admitted to a parochial interest—timber sales from state-owned lands provide a good part of Washington's school funds. He also said that such action would mean the loss of many thousands of jobs in a region still far from recovering from the cutbacks in aerospace.

His clincher: "In 1973, at peak log prices, the U.S. could receive $500 million for logs to Japan and pay Canada $400 million for an equivalent volume of lumber."

Why don't the canny Japanese buy the lumber from the Canadians?

Because they prefer softwoods grown in Washington, explains C.W. Bingham, senior vice president of Weyerhaeuser Co. That state has vast stands of western hemlock, which historically has been a secondary species for the U.S. industry but is rated as prime by the Japanese.

While the same species grows in other areas, the Japanese prefer the Washington State product because the logs are longer. They are more suitable for Japanese mills, which prefer to custom-cut rather than mass-produce lumber in certain standard sizes. •

Making Dialing a Snap for Your Fingers

Although AT&T hasn't received a lot of complaints that it's physically tiring to depress the pushbuttons on a Touch-Tone telephone the necessary eighth of an inch, researchers are working to make the procedure even less tiring.

Bell Laboratories scientists have come up with an instrument that only requires your finger to travel one five-hundredth of an inch.

A telephone now being tested does the same thing as the conventional unit, but instead of pushbuttons being used to activate dialing circuitry, it uses a paper-thin sheet of electrically charged material called a "foil electret."

The foil, which acts much like a rubber diaphragm, is one-thousandth of an inch thick and metal-coated on one side.

This metal coating receives and stores an electrical charge during the manufacturing process.

Replacing the familiar pushbuttons is a flat plate that has apertures for the dialer's fingers. On the other side of the plate is stretched the foil electret, separated from conductors for each number by an insulator and a five-hundreth-of-an-inch air gap.

A slight depression of the individual numbers, which are attached to the foil and appear in the apertures, causes the foil to come close enough to the individual conductor to discharge some of the stored electrons.

This causes a current to flow in the same fashion as pushing a button, and signals the dialing center. Engineers have found no appreciable drop in performance after 400,000 dialing operations.

Bell Labs officials see other promising applications for the foil electret, such as replacing the keys in electric typewriters, teletypewriters and computer terminals. For the telephone companies it may mean instruments simpler to make and easier to maintain, and a further reduction in size.•

Surveying the Citizenry About New Industry

The attitude of a community's citizens toward new industry is a key factor often overlooked in industrial development programs, say two marketing experts at the University of Texas.

And they've just completed an 18-month project whose results can be used to correct that oversight.

Prof. Grady D. Bruce and Asst. Prof. Robert T. Green have designed a questionnaire that makes it possible for almost any city to gauge its residents' feelings about industrial development.

Using survey responses and a standard industrial classification code compiled by the federal government, local officials could actually specify individual companies that would mesh successfully with a city's resources and also gain the public's acceptance.

The actual job of attracting industry, with all its challenges, would, of course, have to follow.

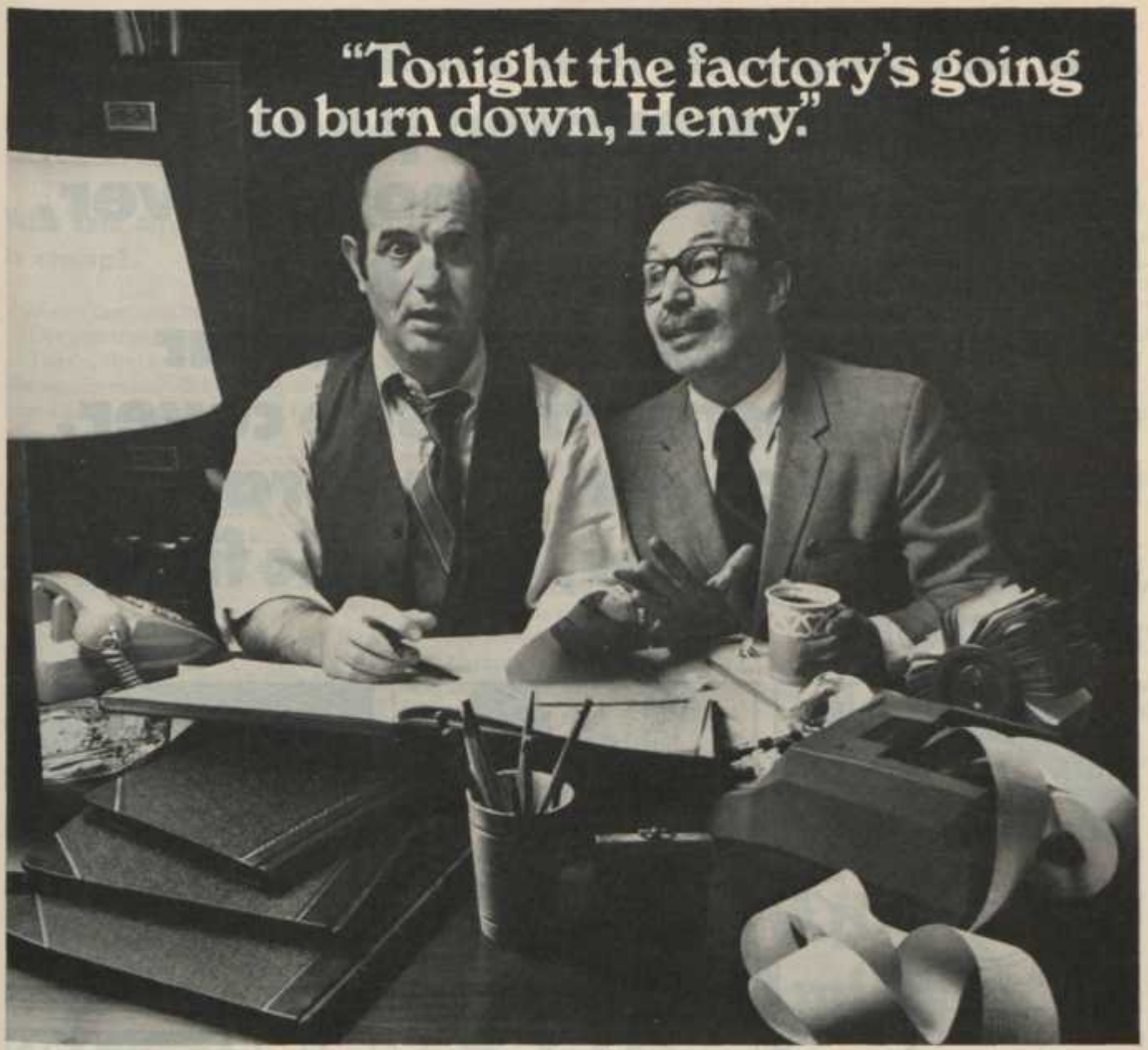
Dr. Bruce notes that most studies done with industrial development in mind focus on such resources as land, labor force and availability of capital and management skills.

But, he adds, "industrial development means a certain amount of change and if change is to be accepted, it has to be agreeable to the citizens."

The marketing experts believe their questionnaire can best be used in communities in the 35,000 to 200,000 population range which demonstrate some growth potential.

The questionnaire was developed with the aid of a pilot survey in San Angelo, Texas, which produced a 246-page report. *(continued on page 64B)*

"Tonight the factory's going to burn down, Henry."



Plotting arson?

No, planning insurance.

That's right, insurance.

You see, a smart businessman knows that he must be prepared for a disaster *before* it strikes.

(That way he knows how much it has hurt him immediately *after* it strikes.)

So he sits down with his accountant and broker to determine what it will cost if, say, his factory burns down.

What problems will he face? What expenses? What would be the daily limits of his loss?

And what will it take to get him back in business again?

With Valued Form, they can plot out the specific business interruption protection he needs to fit his particular operation. On a cost-per-day basis.

Moreover, the businessman who selects Valued Form can pre-select the *period* of coverage that fits his needs, too. If, for instance, they estimate he'll need only four months to get his plant in operation after a disaster, that's all the coverage he buys. Protection based on four months, not 12 months as with standard coverage.

And what's more, should the loss occur, he can get the money he needs, weeks—even months—before he otherwise might.

American Home's Valued Form. It makes a disaster easier to bear. Because it assures the smart businessman that there'll be no wasted time. No extra suffering. And the cash he needs. In a hurry.

For more information, just send this coupon.

American Home Assurance Company

A member company of American International Group

Dept. NB063, 102 Maiden Lane, New York, N.Y. 10005

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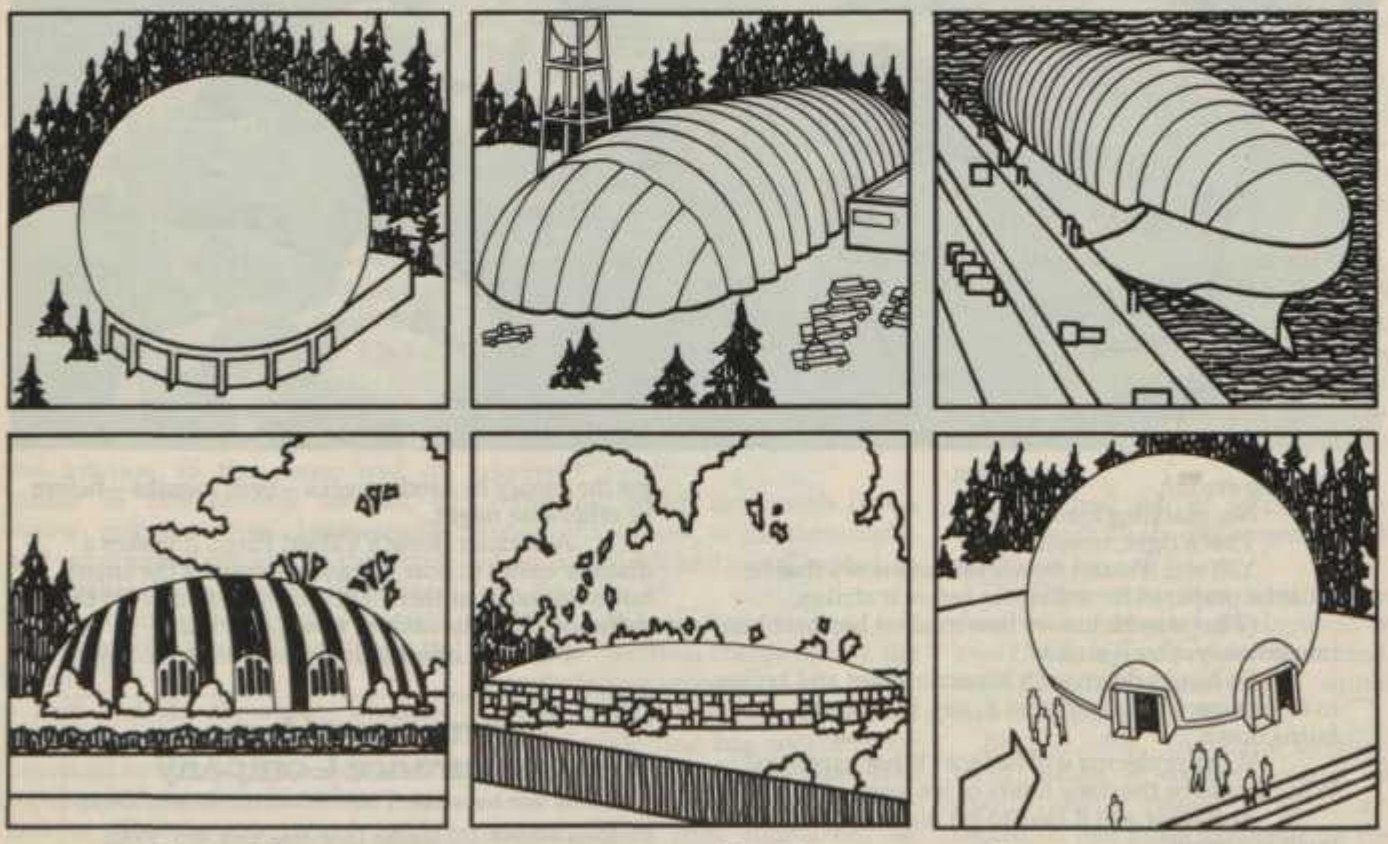
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For a copy of our new brochure containing detailed information about construction, design considerations, typical applications and manufacturer sources for air-supported structures of Du Pont nylon or "Dacron"* polyester write Du Pont Company, Eden Park Building, PDM-15649, New Castle Avenue, Wilmington, Delaware 19898.

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Executive Trends

BY JOHN COSTELLO
Associate Editor

Who said advice is cheap?

It can cost you up to $1,000 a day.

But presumably, it's worth it.

That's the fee of some top-level management consultants. And their services are very much in demand these days.

Every three years, the Association of Consulting Management Engineers, Inc., makes a survey of professional consulting fees. Here are the per diem rates consultants charge, according to its latest (1973) survey:

	Minimum	Maximum	Median (rounded)
Partner (or equivalent)	$250	$1,000	$625
Principal Consultant	$200	$700	$450
Senior Consultant	$165	$390	$278
Consultant	$ 90	$325	$208
Junior Consultant	$ 90	$250	$170

These figures are based on data from 64 North American consulting firms, ranging in size from eight-to-10-man shops up to some of the largest.

"The survey," says ACME Executive Director Philip W. Shay, "is made to keep management consultants in touch with trends in fee arrangements.

"It's not meant as a guide for setting them."

Many consulting firms are one-man or two-man shops. But their fees aren't necessarily lower.

"Good one-man shops' fees," says Mr. Shay, "are pretty healthy."

He adds: "And most good firms, big or small, are very busy."

When wedding bells ring

Keep an eye on the gifts.

They may walk off with the "guests," one expert warns.

In fact, theft's a threat at any lavish bash, he adds.

"The crime wave may be ebbing in the big cities," says Ira A. Lipman, president, Guardsmark, Inc., private New York security service. "But not at social functions. In fact, it's hitting them harder."

Large parties and wedding receptions are very vulnerable, he says. "Especially if gifts are on display. And since extra help is often hired, you have employees to watch as well as phony guests."

George R. Wackenhut, president, Wackenhut Corp., a large Coral Gables, Fla., investigative and security firm, notes the same trend.

"We're called on more often to provide internal security—as well as external—at social functions," he says.

Caution is called for not only on the wedding day but before it.

"Whenever everyone's at church," Mr. Lipman says, "for rehearsals as well as the ceremony, it's a good idea to have a guard at home to watch the silverware—and the help."

But Bruce Oxman, president, Globe Security Systems, Inc., Philadelphia, Pa., doesn't sense the same trend.

"Even if there were more demand for security service from hostesses," he says, "that kind of business would fit on the head of a pin.

"The big demand is from commercial institutions—and increasingly from hospitals and universities."

If your youngster is going abroad

He or she might find the "Whole World Handbook" a big help.

Also, an International Student ID Card.

Both are available through the Council on International Educational Exchange, New York, N.Y.

The handbook ($2.95) is written

"Where a new tire got us 75,000 miles a Bandag gets us 145,000."



That's Howard Harris, talking about patented Bandag cold process retreads. Harris is Director of Maintenance, Hadley Auto Transport, Pico Rivera, California. His rigs haul 45,000 to 50,000 new cars a month. "Besides more miles, Bandags give us fewer punctures and less downtime," says Harris.

To cut your own company's tire costs, call toll free 800-553-9640 (Iowa, 800-552-9630) and get the name of your nearest Certified Bandag Dealer.

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This rare opportunity is the most challenging and lucrative in a man's lifetime. The income potential is staggering. It is exceptionally well-suited for an individual, group, or company interested in teaming up with one of the nation's most successful grocery store systems with annual sales now approaching 200 million dollars.

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Denver, Colorado 80222
or call collect (303) 756-8313

Executive Trends *continued*

for traveling students. It's packed with useful information on countries in six continents, like:

- The cheapest way to get from Los Angeles to Bangkok.
- How to travel in Malaysia.
- Pros and cons of hitchhiking in Latin America.
- Round-trip fare, by freighter, from New York to Lisbon.

The ID card ($2) entitles students to a raft of discounts, especially in Europe. For example:

- Half-price admission to the Louvre.
- Fifty per cent, or more, off on some flights—from Rome to Tel Aviv for between $67.50 and $69.90.
- Low-cost student tours—$116 for four days in Leningrad plus five days in Moscow.
- In Paris, meals in student restaurants at half the cost of a commercial cafe.

It also qualifies the holder for cut-rate Student Air Travel Association flights or a Student Railpass—a good buy if you travel by train.

If your son or daughter has the time to go by ship, the handbook suggests they take a look at "Today's Outstanding Buys in Freighter Travel" ($2.95) or "Travel Routes Around the World" ($1.50)—both published by Harian Publications, Greenlawn, N.Y. 11740.

Or at "Ford's Freighter Travel Guide" ($3.95), revised semiannually, which is available from Box 505, Woodland Hills, Calif. 91364.

Actually, air travel is often cheaper.

"Air Travel Bargains" ($2.95), P.O. Box 897, Coconut Grove, Fla. 33133, lists many, the CIEE handbook says.

Not a vanishing American species

Every day in every way, business gets bigger and bigger.

And the little guy, he's going the way of the passenger pigeon.

Somehow, isn't that the impression you get from the public prints?

Well, it just ain't so. Take the word of the author of "Modern Private Enterprise: Is It Successful?"

In a recent 12-year period, the number of proprietorships in the U.S. went from 5,689,000 to 9,212,000. And the number of partnerships—also typically small business—increased from 627,000 to 918,000.

Author F. Ritter Shumway, honorary board chairman of Sybron Corp., adds that the proprietorships and partnerships, together with 1.5 million small corporations in the United States, "had sales of $1,291 billion, just a little over 70 per cent of the . . . total.

"Nearly 12 million firms (11,672,000 to be precise) with over 70 per cent of the total sales is a far cry from the extinction of small business in the United States."

Shopping for a used computer?

Then you might find the "Computer Price Guide" useful. It's sort of a bluebook of used computer prices.

The guide shows current asking prices for a wide range of equipment—from Bryant Disk Drives to Xerox Line Printers.

For example, one IBM 360/30 16K System, listed at $98,185 new, is offered at $42,500.

Or an IBM 360/40 131K CPU, originally $366,110, is available used for $190,000.

A Univac 9300 System, $205,000 new, is yours used for $91,000.

The publisher, Time Brokers, Inc., urges you to work through a broker if you're in the market for used equipment.

"They function," says Joseph Kirby, a Time Brokers vice president, "much like real estate brokers do. They bring buyers and sellers together, earning a commission paid by the seller."

Why do businessmen buy a machine with a little mileage on it instead of the latest model?

"To save money," Mr. Kirby says.

"Computer users are now sophisticated enough to go it alone, when installing and operating a computer.

"And they are less dependent on the manufacturer for software support."

You don't have to plunk down cash for a used computer, either.

"More than half of all used equip-

Continental.
We add assurance to life in an unsure world



. . . by developing a "return to work" feature that continues disability payments. For persons who must make going back to work a gradual process, the abrupt ending of disability benefits can be a financial disaster. (That's the way most plans work.)

New Continental plans prevent such losses by providing income benefits until you accomplish a substantial return to your job. Under some plans this exclusive "return to work" feature lasts as long as you need it—up to age 65 if your disability causes you to accept a position of less income than before your sickness or injury.

Ask your Independent Insurance Agent or the Continental Assurance man listed in the Yellow Pages.

CONTINENTAL LIFE ASSURANCE CO.

A PART OF CNA FINANCIAL CORPORATION

As of 4-16-73 this plan not available in Georgia, Iowa, Massachusetts, Nebraska, New Hampshire, New York and Pennsylvania.

We give you 10 seconds to reach the foreman

If you had an Executone Communications System you could reach the foreman, the office manager, the personnel director, or anyone in the company within seconds.

You'd have Executone Intercom stations in all offices and key locations. At the touch of a button, you could talk directly to your man. He could answer from anywhere in the room, or use the handset to talk privately. And if you had Executone Pocket Page in combination with your intercom system, you could reach your people anywhere in the office or plant, even between buildings.

An Executone System quickly pays for itself. Because it helps your business run more smoothly, cuts overhead costs and improves customer service.

Send in the coupon below for free portfolio, "How to Save with Intercom and Pocket Page."



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☐ Please send free portfolio, "How to Save with Intercom & Pocket Page."
☐ Have your representative phone for an appointment.

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Company_____

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In Canada: 331 Bartlett Avenue, Toronto.

ment sales," Mr. Kirby says, "involve some sort of long-term credit."

The market—for used or new computers—is big and getting bigger.

In 1971, U.S. computer firms shipped $5.08 billion worth of equipment, the American Federation of Information Processing Societies, Inc., estimates in its new publication, "The State of the Computer Industry in the United States."

In that year, it adds, the nation's computer population was 54,500. Next to Uncle Sam, the biggest single computer user, came the banking industry. It had $2.3 billion invested in the electronic brains.

Ads can't do everything

Advertising's a giant industry.

It employs more than one million people, and includes some 4,000 agencies.

In 1970, American firms spent $19.7 billion on it.

Or, $100 for every man, woman and child in the United States.

"You could no more run this dynamic enterprise system of ours without advertising," says Elisha Gray II, chairman of the finance committee, Whirlpool Corp., "than you could run your car without one of its wheels."

But there are some things that ads can't do, he says. For example, he notes, in 1970, "our industry sold some 29 million labor saving appliances to American consumers."

But, he adds, "we didn't sell them any ironers.

"We sold them very, very few appliances that wash and dry their clothes in the same machine (in spite of enormous investments made to bring it to market).

"And we sold them no machines to dry-clean their clothes at home automatically."

These appliances would aid American housewives, Mr. Gray believes. They would give homemakers more time, save their money and make them happier.

But the housewives don't think so, he says, "and apparently our advertising can't persuade them to think so.

"It's the consumer, not the advertiser, who defines what is necessary and what is not."

It's all in "The Case for Advertising," a 95-page booklet prepared for the Association of National Advertisers, Inc., and the American Association of Advertising Agencies.

The booklet's a lively summary of the industry's 1971 testimony before the Federal Trade Commission on:

- What advertising is.
- How it works.
- How it benefits society and the consumer.

Copies ($2 each) are available from ANA or AAAA in New York.

Getting your money's worth from meetings?

Business spends a bundle on them.

How much?

"Between $5 billion and $10 billion a year on meetings, internal and external," one expert estimates.

That's "more than the gross national product of many countries," adds Bert Auger, vice president and general manager, visual products division, 3M Co.

"For example, Ireland or Algeria. In each case, their GNP was under $5 billion in 1971."

Here's how to get your money's worth out of meetings, he says:

1. Don't call one if individual action, a phone call or a letter will serve the same purpose.
2. If one is necessary, plan an agenda, and stick to it.
3. Be sure everyone understands what the meeting's about.
4. Make speakers stick to a set time limit.
5. Keep it short—an hour's the limit without a break for coffee or fresh air.
6. Keep it small—15 people at the most.

Remember, Mr. Auger cautions, if you have 10 executives there, whose pay averages only $15,000 a year, the meeting costs $72.50 an hour for their salaries alone.

SBA Report

Retirees Score With SCORE

At times, programs conceived by the federal government may seem overly complex.

Not so SCORE—the Service Corps of Retired Executives—currently celebrating its tenth birthday.

In 1963, the Small Business Administration asked a question: Since most small firms fail not because of lack of money, but because they are badly run, were there enough retired business people around who would donate their expertise and time to bail out troubled small firms?

The response was instant and astonishing. Within weeks more than 4,000 qualified retirees responded. Not only were they willing to help, they jumped at the opportunity to keep busy.

Former executives of major corporations, retired operators of one-man businesses, men who had worked in engineering and accounting firms, men with marketing backgrounds—the whole panorama of American business began to be represented in the ranks of SCORE.

Today, the organization has more than 5,500 members (with an equal backup number available when needed). It is loosely organized into 200 chapters around the nation. It has a National SCORE Council of 10 retirees, representing SBA's 10 regions, and it elects a national chairman annually.

It is a no-dues, no-fee organization. It looks to the Small Business Administration only for some expense money, desk space, access to telephones and stationery, and information on borrowers and fledgling loan applicants that might need help.

The cost to SBA is negligible. If a SCOREman goes more than 50 miles to counsel a client, SBA reimburses his actual expenses—usually his mileage and his lunch. That's all. And once each year, SBA pays transportation and per diem living costs for the chairman of each SCORE chapter to meet in a national convention.

Walk into any SBA office today (there are 85) and it is highly likely that your first contact will be a SCOREman. He briefs you on how to apply for a loan. Or he listens to your business problems. If, for example, you need expertise in the field of flowers, he'll find a retired florist to help you with advice and knowledge. If your metal working assembly line is out of kilter, he'll find an experienced, retired engineer.

Despite its allegiance to, and working relationship with SBA, SCORE remains fiercely independent. Its unwritten motto is: "You ask, we decide." In other words, SCORE accepts those work assignments where an individual member feels he can be productive—and rejects those where advice seems to have been asked too late, and the business has no chance for success.

Also, SCOREmen have performed yeoman service for SBA by helping in national disasters. The declaration of a disaster triggers the need for SBA to be on the scene, assessing damage and making immediate loans. SCOREmen who have familiarized themselves with the legalisms are pressed into service, if they live in the area where the disaster has occurred.

In addition, SCOREmen help SBA service its massive, $4.5 billion loan portfolio—and conduct workshops and training sessions for young men and women seeking to learn how to go into business.

From the day of its inception, SCORE has retained the simplicity of its purpose and its objectives: Help small business firms run well, and help teach new entrepreneurs how to get into business.

In 1971, a Presidential reorganization plan created the ACTION agency, which is an umbrella unit for volunteer services. For example, within its structure are the Peace Corps, VISTA, Active Corps of Executives (ACE) and several other programs. The plan placed SCORE under the umbrella.

SCORE remains a volunteer business-oriented unit, working with SBA, but ACTION handles national recruiting and national publicity. As a part of its mission, ACTION has been working closely with local chambers of commerce across the country to form local chapters of SCORE volunteers and also to encourage small businessmen to seek SCORE counseling.

An individual wishing to join SCORE can get full information at any SBA office.

Prepared by the Small Business Administration.

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Unsecured Note Loans Entirely by Mail

Borrow $1,000, $2,000, $3,000 or More!

We offer note loans nationally to business executives on an unsecured basis, entirely by mail. This supplementary source of personal credit to executives is emphatically confidential. No inquiries are made of your banking affiliations or business associates; we do not require collateral or endorsers. Our service is as fast as airmail and as convenient as the installment loan department at your own bank. You are invited to compare our Annual Percentage Rate with other companies lending money by mail and your local bank.

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We also save you time and money.

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World's Largest Employment Service

PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

Where Ideas Aren't Kept *in Camera*



Kodak suggestion whiz David Schutte, with the display unit that won him a $47,800 award from the company in 1971.

It's a good idea to come up with a good idea if you work for Eastman Kodak Co. It often means bonus money in the pay envelope.

Kodak's suggestion system marks its 75th anniversary this year, carrying out a cardinal precept of founder George Eastman that nobody has a monopoly on good ideas.

It all started in 1898 with a $2 award to a worker who pointed out production in a Kodak facility might be stepped up if the windows were washed. Some 1,400,000 suggestions have followed and over a third of them have been adopted. Total suggestion awards are now running about $1 million a year.

"This is an ideal channel through which people can express their thoughts," says Davis Whitcomb, corporate administrator of the suggestion plan throughout the Rochester, N.Y.-based company's many installations. "Even if the idea is not adopted, a twofold purpose is served. Someone in management is aware of a matter that is of concern to an employee, and the suggester has satisfaction in knowing the idea has been evaluated."

No idea is rejected out of hand. All are examined. If unacceptable, a reason is given.

The highest single award has been the $47,800 paid in 1971 to David Schutte, of Rochester, who proposed a less expensive method of mounting amateur film on cards for display on store sales racks. But the champion suggester is Milton Windhauser, also of Rochester, who has had some 1,500 ideas adopted. These have earned him over $10,000 in awards—money he has used to help educate three sons.

Some of the suggestions save money for Kodak—millions of dollars, in fact. But the value of the system lies not only in cost reduction, the company says—it has resulted also in improvements in products and processes and elimination of accident hazards. And it serves as a good line of communication between the corporation and the individual.

"The human imagination is magnificent," says Teresa Feller, who oversees the suggestion system among employees at company headquarters in Rochester. "To those doing their everyday work, improving a situation can be gargantuan in importance." •

Does an M.B.A. Degree Spoil a Fellow's Fun?

Here's one businessman who isn't sold on the bright, young executive type who walks in waving his Master of Business Administration diploma.

Jay Monroe, president of Tensor Corp., Brooklyn, N.Y., says: "The M.B.A. approach to business is analogous to the marriage-manual approach to lovemaking. I like to do my own thing even if I do it worse."

Mr. Monroe vented his feelings where they would have particular impact—at the Harvard Business School New Enterprise Club. He told his audience:

"I suppose if I could summarize what an M.B.A. education represents to me, it is simply a training in the maximizing of return on investment through the use of whatever modern techniques are available.

"As I see it, that certainly doesn't qualify a person to run a company. And it doesn't seem like much of a life goal, either. Planning, programing, projecting—they're all part of that funless business administration world. I don't want to know what I'll be doing five years from now; that would spoil the fun."

A career military engineer, Mr. Monroe started Tensor a half-dozen years ago. It began making high tensity reading lamps but branched into other products when Japanese lamps made competition difficult. In 1972, Tensor grossed about $6 million.

Mr. Monroe has strong views on a number of subjects.

Take stockholders: "I owe them nothing except the truth. They're gamblers who are in it for the ride. I don't feel any obligation towards them, apart from complying with the Securities and Exchange Commission regulations as they relate to sales of an initial issue."

On success: "Admittedly, I'd like the company to be as successful as possible. But I don't necessarily equate success with profit. As far as I'm concerned, success is measured by the company being in a sufficiently good position to be able to innovate."

Mr. Monroe puts a high premium on innovating. He explains:

"As an engineer, it would be difficult to have fun working within the narrow parameters of an M.B.A.-type structure. Formalized business tradition discourages innovation." •

continued on next page

A Career That's Gone in Many Directions

Many successful people who've pulled themselves up from poverty claim they wouldn't swap the experience for anything. Not Norman Young, who says: "Me? I'd take a slightly used bottle cap for it."

But then Dr. Young, head of ITT Community Development Corp., is not an ordinary man.

He was born and grew up in Brooklyn, N.Y., slums, where he learned how to "play pool, pitch pennies, steal deposit bottles, sneak into the movies, say dirty words and spit—a bad start."

His mother "told me the only way to get out of the neighborhood was to get a good education," Dr. Young remembers. "This I did to the point of overkill."

So he went out and picked up four university degrees. To get through school he worked successively as a pneumatic drill operator, truckman, zipper clipper, assembler, mender, bead driller, lifeguard, bellhop, busboy, nightclub bouncer and author of crossword puzzles.

Against such a background here is a man who today collects rare books, paints, sculpts, dabbles in classical Greek and Latin and plays the organ.

Dr. Young has taught at eight universities—everything from psychology to mathematics and etymology to radio and television. Along the way he became a writer for a television network and vice president of a major New York advertising firm.

His career might have gone in any direction. He took a policeman's job exam in New York and came out at the very top. There were no openings at the time, however, so he went looking for greener pastures. He did not learn until years later that on the reverse side of his job rejection notice it said employment might be available soon.

He might also have become a professional football player. But he had little chance to prove his mettle. On an Army service team he was backup quarterback to Bob Waterfield.

Before joining ITT Development, Dr. Young was senior vice president of marketing for Levitt and Sons—which is how he wound up in real estate. Today, his firm is developing a massive land tract in Florida known as Palm Coast. It is envisioned as a planned city of 750,000 residents.

Dr. Young's philosophy is the same as baseball great Satchel Paige's: "Never stop to look behind you; you're liable to see someone catching up." •



Dr. Norman Young, who got out of the slums by following his mother's advice to get a good education.

Temporary Help—at the Top Level

Temporary executives may become as commonplace someday as temporary secretaries.

If so, International Executives, Inc., will have paved the way.

INTEX was launched three years ago by Arnold Hartpence, who took early retirement from the Mobil Oil Corp. at age 48. He had served as general manager of Mobil operations in several African countries.

The purpose of INTEX is to offer to companies virtually anywhere in the world the temporary services of highly-trained executives. These are people who retired early, have been let go due to mergers and take-overs, or are available for other reasons.

For the client company it means ready access to the precise kind of executive needed to do a specific job within a specific period of time. Getting an executive through INTEX is generally far less costly for a company than reassigning one of its own managers or hiring another on a full-time basis.

More than 1,500 ready-to-move executives are on the INTEX dossier and the number is building all the time. Most of these men are multilingual and virtually all have at least 10 years in the field in which they are seeking temporary employment.

"The most important requirement for the temporary assignment is experience," Mr. Hartpence says, "and an executive cannot have 20 to 25 years of experience at age 35."

INTEX, headquartered in Paris, has 10 offices in Europe and Asia and recently opened one in New York. It has already placed executives in close to 30 countries. They include specialists in finance, real estate, engineering, production, marketing, advertising and many other fields.

"Ten years ago such an idea was not viable, but today there's a trend in our direction," says John R. Du Gan, president of INTEX in the United States. "We live in an age of specialization. Short-term solutions are becoming more and more important."

INTEX offers another service which some companies are finding useful—the Executive Exchange-Placement Program. Many firms have executives who are not occupied full-time. Under EEPP, the companies are able to farm them out when they're not needed and have them available when they are. •

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Sound Off to the Editor

Longer Hours for Government Offices?

When you figure how long it takes to get ready for work, go there, put in a full day and then travel home, the time between 7 a.m. and 6 p.m. is pretty well filled weekdays for most working people.

But typical hours for government offices—city, county, state and federal—are 9 a.m. to 5 p.m., Monday through Friday.

So what happens to the worker who wants to register a car, renew a driver's license, get a building permit, do business with the real estate records office or perform any one of the increasing number of activities that require contact with government agencies?

Some things, of course, can be done by mail. But human nature being what it is, deadlines have a habit of creeping up. And there are the uncertainties of present-day mail service.

One answer proposed for the problem of making it easier to transact business with government agencies would have them open at times more convenient to the public—evenings and Saturdays, to be specific.

Businesses dealing directly with the public learned long ago that one key to good service is keeping their doors open at times convenient for customers.

And that means times when those customers aren't working themselves.

In like manner, it is argued, the convenience of the taxpaying public, not that of government agencies and their employees, should be paramount in scheduling working hours for the agencies.

This concept has already been recognized to a limited degree with extra hours of service in post offices at Christmastime, in tax offices when annual payments are due and in some motor vehicle registry offices at license renewal time.

And certain government services, like police and fire protection, are, of course, maintained around-the-clock.

But government agencies generally have tended to resist any broad extension of hours in offices that have become accustomed to the 9 to 5, Monday through Friday schedule. Their officials argue that any added convenience provided by evening and Saturday openings would not be worth the added burden put on taxpayers to finance the increased personnel and other operating costs.

Also, they ask: What about the inconvenience to government employees that longer hours would bring?

And they maintain that people who have business with government agencies usually manage to get to them within the presently scheduled hours. (The extent to which workers give up wages to take time off to get there, or to which employers knowingly or unknowingly pay employees for time they take to conduct such business, is an unmentioned factor in that argument.)

What do you think? Should government offices be open evenings and Saturdays?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should government offices be open evenings and Saturdays? ☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....
(PLEASE PRINT)

Company.....

City.....

Sound Off Response

A Popular Idea About Voting

A need for an effective brake on government spending is a constant theme in responses to the April "Sound Off to the Editor" question, "Should tax increases be put to a popular vote?"

More than eight out of 10 answers are in the affirmative.

Repeatedly, readers assert that giving voters control over tax policy may be the only way to curb government outlays.

Even many of those opposed to the tax referendum idea complain of soaring public expenditures, but argue that the solution is more self-restraint among legislators. Others on the negative side say government could not be operated efficiently if popular sentiment had to be determined on every revenue-raising measure.

In supporting the idea of a popular vote, James B. Artman, plant manager, Sundstrand hydro-transmission division, Sundstrand Corp., La Salle, Ill., writes that "the fiscal irresponsibility of those individuals representing us at the state and federal levels of government makes it mandatory that we secure some control over the way taxes are imposed on the wage earner."

V.M. Hitt, operations supervisor, American Telephone and Telegraph Co., Spring, Texas, says that without popular control over tax levels, legislators "lose sight of the very basic fact that they serve—not rule."

G. Dean Cosgrove, treasurer, MAPCO, Inc., Tulsa, Okla., comments that "the individual taxpayer needs a voice in how his tax dollar is spent or whether it should be spent. This would force Congress to show fiscal responsibility."

"If we are ever to get a sane fiscal policy," writes John F. Sohl, president, Auto Driveaway Co., Chicago, Ill., "it will probably necessitate taking from Congress the power to tax indiscriminately."

Walton H. Duckett, senior vice president, Automatic Merchandising, Inc., Tampa, Fla., views the tax referendum plan as a potential "catalyst to make our elected representatives responsible money managers instead of giveaway artists, as demonstrated by the continued deficit spending, especially at the federal level."

"Self-perpetuating, spendthrift, inefficient and ludicrous fiscal management" is the way R. Lloyd Huffman, president, Dukes Astronautics Co., Canoga Park, Calif., describes the current state of federal, state and local government finances. His company would go out of business if operated the same way, he says, but taxpayers "are forced to tolerate" those conditions in government.

On the other side of the argument, Rep. Rodger McDaniel, a member of the Wyoming State Legislature, comments from Cheyenne, Wyo., that a popular vote on tax measures "would prove much too slow and cumbersome." He adds: "What needs to be accomplished is greater accountability from bureaucrats who seem to think the answer to our problem is more money, when the real answer is getting more for our tax money."

John T. Brady, director of sales, Pennsylvania Glass Sand Corp., Pittsburgh, Pa., explains his No vote this way:

"As a full-time businessman and a part-time officeholder, I find the idea totally unacceptable. It would be akin to asking industry to seek permission from customers prior to raising prices.

"Legislators, like businessmen, must be leaders. Leadership demands unpopular decisions at times, but decisions should be made by leaders and not by those who may not be entirely informed on the issues."

James Crowley, president, Pioneer Foundry Co., Jackson, Mich., also votes against the tax referendum concept, but that doesn't mean he's enthusiastic about the judgment of our representatives. "If the people had a chance to vote on the salaries of the economic illiterates in Washington and the statehouses," he writes, "then you could be sure that expenditures would be held to the point where new taxes would not be necessary."

Leonard Pawlak, controller, electro minerals division, The Carborundum Co., Niagara Falls, N.Y., is among several readers who give the same reason, almost in the same words, in favoring the popular vote on taxes: "After all, it is MY money!"

Charles E. Walpole, attorney for Holiday Inns, Inc., Memphis, Tenn., proposes a detailed plan for obtaining public sentiment on raising revenues: "Our present system of federal and state taxation should be frozen at a specified point in time. . . . At each general election (thereafter) the chief executive and the legislature could each present proposed changes in the tax rates, and the people could vote on three choices: the legislature's, the executive's or no changes at all."

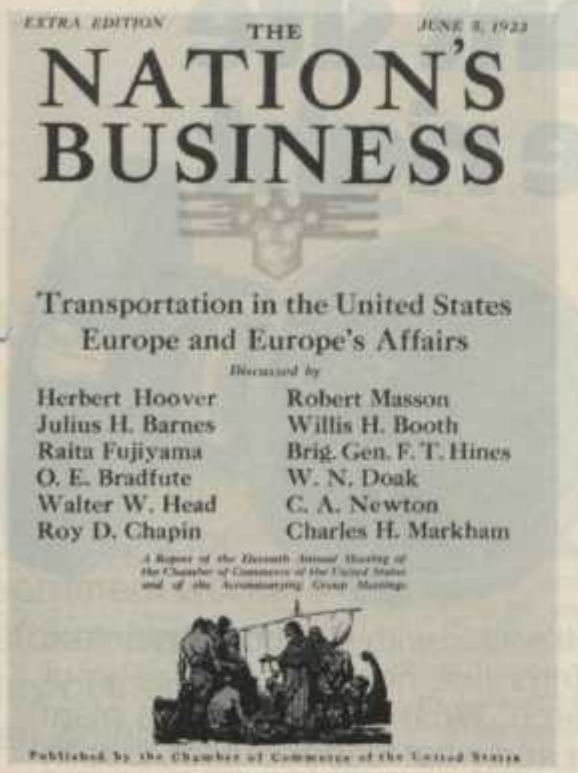
F. Michael O'Brien, a Boston, Mass., corporate planning director, writes: "Ill-considered, open-ended and nonreviewable government programs are a major source of leakage for federal tax revenues. The Brock bill [sponsored by Sen. William E. Brock (R.-Tenn.), it would impose strong Congressional controls on budget policies] would rectify some of this. However, a popular vote on tax increases would return accountability to the taxpayer."

A dissenting view comes from Richard L. Gordon, product manager, Hallmark Cards, Inc., Kansas City, Mo.: "If we can't elect legislators who have the capability of looking at the bigger picture and determining what is best for all people, our representative form of government is in danger."

The Past Is Prologue

Fifty years ago in Nation's Business

(established 1912)


EXTRA EDITION

THE

JUNE 9, 1923

NATION'S BUSINESS

Transportation in the United States
Europe and Europe's Affairs

Discussed by

Herbert Hoover — Robert Masson
Julius H. Barnes — Willis H. Booth
Raita Fujiyama — Brig. Gen. F. T. Hines
O. E. Bradfute — W. N. Doak
Walter W. Head — C. A. Newton
Roy D. Chapin — Charles H. Markham

A Report of the Eleventh Annual Meeting of the Chamber of Commerce of the United States and of the Accompanying Group Meetings

Published by the Chamber of Commerce of the United States


THE NATION'S BUSINESS

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There was an "extra edition" of NATION'S BUSINESS 50 years ago this month. It was devoted to transportation and featured articles on the role of the railroads, shipping, trucks and autos in America's growing transportation network.

A series of murals by leading artists had been commissioned to interpret the "spirit of transportation." They were on display at the annual meeting of the Chamber of Commerce of the United States, held in New York in that long ago June. They also ran as color prints in the magazine.

Herbert Hoover, then Secretary of Commerce, addressed the Chamber meeting, reviewing some of the economic changes sweeping through the country. He commented at one point: "The exact line to be drawn in the curbing of people whose ambition is to interfere with the law of supply and demand, to their profit without return of service to the community . . . and the extinction of initiative by the heavy hand of government . . . is at all times difficult to determine."

Almost 11 years old and with a circulation over the 100,000 mark, NATION'S BUSINESS in its regular June edition was packed with articles on economic trends. William A. Durgin, chief of the Commerce Department's "division of simplified practice," wrote the sixth in a series of articles on distribution, entitled "Alice in Modernland." In it he urged standardization and simplification in business to aid in promoting efficiency.

Ben W. Hooper, chairman of the U.S. Railroad Labor Board, asked for wage restraint in an article called "The Fantasy of the 'Living Wage.'"

In "Can We Sort Them at the Gate?" Vernon Kellogg of the National Research Council delved into the touchy subject of more selective immigration policies. Assessing the contributions of the various immigrant groups to America he concluded: "We really know now very little about . . . these things. A lot of scientific work needs to be done."

There was a "character study" of Sen. James Couzens of Michigan entitled "Couzens, Radical—and Rich." Mr. Couzens, a Republican who in 1936 was to lose renomination for his Senate seat due to support of New Deal policies, entered into a partnership with Henry Ford in 1903. He became vice president and general manager at Ford Motor Co. and in 1919 sold out to the Ford family for a cool $35 million. He became a philanthropist and politician in that order and nettled more conservative members of the G.O.P. by supporting high, graduated income taxes and public ownership of utilities.

Harvey Fergusson looked ahead to a time—early in the next century, he calculated—when "we shall all be working for the government." In an article called "The Whole Sam Family," he noted that one in 75 Americans then labored in the federal government vineyard.

Fifty years later, Mr. Fergusson's point isn't so far-fetched. In 1973 about one in 19 Americans gets his daily bread from Uncle Sam.

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Nation's Business
June 1973

Public Employees' "Rights"—or Wrongs

A drive is on to make it legal for government workers to strike—something many of them have been doing anyway, in violation of existing laws

Assistant Secretary of Labor William J. Usery Jr. emerged from a room that was strewn with sandwich wrappers and coffee cups. He was trailed by rumpled and bleary-eyed representatives of both sides in a labor dispute, who'd been negotiating for 52 straight hours.

Their message: After 11 weeks and two days, Philadelphia's teachers were going back to work. It had been the second longest public school teacher strike on record, only two days shorter than a 1971 walkout in Newark, N.J.

The settlement price for the city was a $99.5 million package for the teachers over four years. Mayor Frank Rizzo glumly said it would probably necessitate a "conglomerate of new taxes."

He told newsmen: "Everybody lost."

The strike that ended that day last March contained characteristics typical of many of the public employee walkouts that have hit government bodies with increased frequency: suspension of a vital service; court injunctions; jailings; scattered violence; the threat of higher taxes on an already overburdened tax base and bitterness between strikers, the government and the public.

Most of Philadelphia's 285 schools remained open during the strike, but could offer only part-time education at best. A 1,500-name student petition protesting the poor quality of instruction was delivered to city hall. Teachers' union leaders were jailed for contempt, emerging from their cells in the morning to bargain with the school board and returning after the sessions ended. Three hundred seventeen teachers were arrested for picketing in defiance of a court injunction against the strike.

Of the city's 13,000 teachers, 3,500 chose to continue to work. Some suffered harassment, including tire slashings, from striking colleagues.

As the strike dragged on, other labor unions threatened to shut Philadelphia down for a "day of conscience" if there was no settlement.

It was about that time that Bill Usery—a former union official serving in the Labor Department who has since moved to the directorship of the Federal Mediation and Conciliation Service—entered the picture. President Nixon directed him to try to find a settlement.

Reconciling the teachers' demands with what the city thought it could afford wasn't easy. The union initially wanted a 34 per cent pay hike, over four years, plus smaller classes and fewer teacher hours. The school board—operating the school system before the strike with a $52 million deficit—estimated meeting the demands would cost a billion dollars during the life of the contract. The board's offer: a 3 per cent pay hike.

The settlement called for 16 per cent, over the four years.

Dramatic increase

That such striking by public employees has increased dramatically is a matter of record. In 1965, for instance, 42 government strikes involving 11,900 workers caused 146,000 idle man-days. By 1970, the number

Public Employees' "Rights"—or Wrongs *continued*

of strikes had jumped to a record 412, involving 333,500 workers and causing loss of 2,023,200 man-days.

The number of government work stoppages has eased off somewhat since then, but it has remained high.

More significant than their frequency has been the paralyzing effect of public employee walkouts. Virtually every category of government worker has gone on strike in one community or another across the country.

Strikes by sanitation workers have jeopardized the public health. Strikes by policemen and firemen have endangered public safety. Transit operators, welfare workers, doctors and nurses in municipal hospitals, zookeepers, park employees and city-employed beach lifeguards are some of the other types of civil servants who have struck.

In New York City a few years ago, bridge operators walked off their jobs, locking drawbridges in open positions while morning rush hour traffic was hopelessly snarled.

The fact that almost all these work stoppages were illegal seems to have had only a minimal deterrent effect. All states except three—Hawaii, Alaska and Pennsylvania—have laws barring public employee strikes. Federal employees, who have shown little inclination to strike compared to state and local government workers (a notable exception was the postal walkout a few years ago), also are barred from doing so by law.

"Penalties and prohibitions do not deter public employee strikes," Donald Morrison, then president of the National Education Association, an independent association of educators, told a special subcommittee of the House Education and Labor Committee last year. "When employees feel sufficiently aggrieved and have no alternative avenue of redress they will strike regardless of the penalties."

What's behind this new militancy?

For one thing, government is a tremendous "growth industry" in the U.S. In 1951, for example, 6.4 million Americans worked for federal, state and local government. Today, 12.8 million take home government paychecks, and reliable estimates are that by 1980, about 18 million—or one American worker in five—will hold government jobs.

And while much is heard about expansion of the federal government, it's been state and local government—where public employee unions are much more important than they once were—that has grown swiftest. Combined state and local government spending on goods and services jumped 170 per cent in the decade ending in 1971. The comparable federal spending increase: 70 per cent.

Membership surges

As unions in the private sector have struggled to hold their own, public employee unions have experienced burgeoning growth in both membership and dues income.

The American Federation of Teachers has seen membership rise about 200 per cent since 1960, and the American Federation of State, County and Municipal Employees about 100 per cent. The American Federation of Government Employees, all federal, grew even more—300 per cent—from a smaller base.



Few Americans realize it, but a higher proportion of public employees than employees in the private sector belong to unions. Dr. Jack Stieber, director of the Michigan State University School of Labor and Industrial Relations, says about one third of all state-county-city work forces are in unions. In the private sector, Dr. Stieber calculates, only between a fifth and a fourth of the workers are unionized.

One union official relates the willingness of public employees to join unions primarily to a changed notion of working for the government.

"Up into the 1950s, public employment was looked at as a sinecure," he says. "But that security is gone now. Cities and states are in a financial bind. Layoffs are real possibilities."

Campaign in Congress

Several public employee unions threw their weight behind bills in Congress last year that would have created a federal law to regulate labor relations on the state, county and municipal government levels. Their spokesmen complained of the "crazy-quilt pattern" of state laws, or lack of state laws regulating public employee relations.

One bill, introduced by Rep. William L. Clay (D.-Mo.), former business representative of the City Employes Union in St. Louis, asked that all conditions of employment be made subject to collective bargaining and that local and state bans against government worker strikes be voided. It also asked the overriding of right-to-work statutes in 19 states which bar compulsory unionism, and called for a National Public Employee Relations Commission—a kind of National Labor Relations Board for government workers.

Extensive hearings were held in the House of Representatives on the various bills. An AFSCME official described the hearings as part of "an educational process" in the drive for a uniform national labor relations policy in the public sector.

Similar legislation is expected to be introduced again this year, with some relatively minor changes to make it more palatable to a wider range of unions. Rather than a separate board to handle public employee affairs, for instance, the new legislation may ask for inclusion of state and local government workers under the National Labor Relations Act.

State and local public employee unions aren't alone in their drive to "federalize" the approach to labor relations in the public sector.

Opening the floodgates

The American Federation of Government Employees is backing a House bill, introduced by Rep. Frank Brasco (D.-N.Y.), that would authorize a full range of collective bargaining for federal employees. It also calls for a federal labor-management authority appointed by the President to oversee labor relations on the federal level.

According to AFGE President Clyde M. Webber, such a bill should include the right to strike.

"It's essential that federal employees be able to take their rightful place as citizens," Mr. Webber declares.

Another House bill would amend the 1970 Postal Reorganization



Public Employees' "Rights"—or Wrongs *continued*

Act—which ended the postal system's government status and made it quasi-governmental—to grant postal workers the right to strike and negotiate for a union shop. Opponents of this bill feel it would set a dangerous precedent.

Those to whom government worker strikes are repugnant point out unions haven't been bashful in using the strike weapon despite its illegality. A federal law allowing such walkouts would open the floodgates, they argue.

Arguments against legalizing public employee strikes can be harsh. For example, John R. Van de Water, president of a California-based management consulting firm which advises on civil servant unionism, views the public employee walkout as nothing less than "the destruction of government—anarchy."

However, he adds that "public employers should lean over backward to be fair to the public employee."

Robert T. Thompson, a Greenville, S.C., labor attorney, told the House subcommittee holding hearings on public employee labor relations last year: "To permit such strikes is to subvert the elective process of representative government. The basic fact of government is that it is responsible to the people . . . through the ballot box. . . .

"Even though the public employee strike may be over a monetary issue, such as wages, the ultimate decision remains political. Taking money to pay higher wages means that there is less money to spend elsewhere."

Mr. Thompson urged rejection of any role for the federal government in regulating state and local government labor relations. States should be able to determine their policies in this area free from federal interference, he said.

An AFSCME official says unions seek a federal law because "the conditions of bargaining are being set by the very governments with whom we bargain. There's an absence of neutrality."

As for public employees being allowed to strike, union leaders call it simply a question of having the same rights as workers in private industry. Also, "it's needed to give the employer the incentive to bargain," a National Education Association spokesman says.

"Limited right" to strike

There has, however, been a realization in union circles of a difference between a public and a private sector strike.

"The strike is more a political than an economic weapon in the public sector," says Arvid Anderson, chairman of New York City's Office of Collective Bargaining.

"There's a much more important role for public opinion in the public strike than in a private sector strike," points out Sam Zagoria, director of the Labor-Management Relations Service and a former National Labor Relations Board member.

"In fact, it's a competition for public opinion."

And growing public disenchantment with walkouts by government employees probably is part of the reason why the number of such stoppages is off somewhat from its recent record level.

Some union spokesmen talk more now about a "limited right" to strike. Essentially, it would allow a court to enjoin a walkout in the public sector if it was judged an emergency or a chaotic situation.

One development which should work toward a better balance between unions and management in the public sector is the accumulation of more expertise in collective bargaining and labor relations by public administrators. New to the game, they've had to learn a lot in the past 10 years.

The drive to get more productivity out of government is also a hopeful development. This should accelerate as President Nixon's revenue-sharing shifts more of the decisions and dough from the federal to the state and local levels.

"Public administrators will get tougher in getting something for union demands," says Arvid Anderson. "The bargaining process has possibilities for trade-offs. And all kinds of occupations in the public sector are measurable in terms of productivity." END



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Earl Butz: Plowing New Furrows for U.S. Agriculture

The man in charge of implementing the Administration's farm policies is noted for his sense of humor—but he's dead serious about the farmer's importance to our economy

When Secretary of Agriculture Earl L. Butz arrived at the Chicago Sheraton some time back to make a talk he was greeted on the sidewalk by a group of pickets from Cesar Chavez' United Farm Workers Union.

At a luncheon inside the hotel, several hundred businessmen, union leaders and others had gathered to hear the Cabinet officer discuss American agriculture's role in world trade.

"I never get a decent lunch at these affairs," was the Secretary's opening remark to the Mid-America World Trade Conference. "By the time I pick all the Caesar out of the salad there's nothing left."

Mr. Butz, peppered from all sides in recent months with requests that he explain the rise of food costs in this country, obviously was aware his luncheon guests expected comment on the subject. He gave it to them:

"You had beef here today. I don't know what it cost. But just putting an empty plate in front of you probably would have cost $9, with all those built-in services."

The Secretary says farm exports will top $11 billion this year, creating thousands of jobs and helping industry boost sales of everything it sells to the American farmer.

There isn't much concern when farmers lose money, says Mr. Butz, "but in the years when farm prices recover and farmers have a chance to do a little better, then we hear lots of static."



In the context of his remarks it was clear he was taking a poke at some of the restrictive and costly labor practices in the Chicago area. One, which bars sale of meat in retail outlets after 6 p.m., even though a store may not close for several more hours, drew this line:

"It's like having an extra fireman on the locomotive—and we don't use coal anymore."

At the Secretary's left sat United Steelworkers President I.W. Abel. Mr. Butz chuckled and patted that staunch union man on the back.

The Secretary defended President Nixon's announced decision to hold down government spending: "It's far better to be a mile from hell headed away from it than 100 miles away headed toward it."

He joked about his relations with the President: "If Mr. Nixon has a point of view and I have a point of view, we adopt Mr. Nixon's."

He talked about farmers: "I asked a farmer if he was handling a lot of money these days. He replied, 'Yes, but I'm not stopping any of it.'"

Mr. Butz is one of the most indefatigable public speakers in the Administration. In one 60-day period, he made 60 appearances around the country.

His wit is constant, punctuating whatever message he is trying to put across. Its frequently homespun nature reflects his background as a man who was raised on an Indiana farm.

Earl Lauer Butz, 63, has spent his adult life either teaching agriculture or in government work on the farm front.

He's been the government's top man in agriculture since the Senate 19 months ago confirmed his nomination to succeed Clifford M. Hardin as Secretary.

For several months he was more than Agriculture Secretary—he was counselor to the President for natural resources, one of the "superstars" of the Nixon Cabinet. But these super Cabinet posts were abolished last month when Mr. Nixon decided to decentralize authority in the White House as a consequence of the Watergate affair.

All Cabinet members now are back on a co-equal basis. And Earl Butz now gives up his special counselor's office in the Executive Office Building, adjacent to the White House—the same office occupied by Secretary of State Cordell Hull when he met with Japan's ambassador on the day the Japanese bombed Pearl Harbor.

During his tenure as a "superstar" with overall responsibility for natural resources activity in the Interior Department as well as his own Department, Mr. Butz was given a large hand in trying to solve the energy crisis. He met frequently with the President and contributed to the special energy message Mr. Nixon sent to Congress in April.

Persons close to the Secretary say he was not happy with the counselor concept even though it gave him a more exalted status in the Administration. For one thing, they say, Presidential aide John D. Ehrlichman, who has been relieved of his White House duties following allegations of involvement in Watergate, determined which of the counselors' views would reach the President and which would not. The "superstar" idea was conceived by Mr. Ehrlichman, these sources say.

Mr. Butz reportedly feels more comfortable in a Cabinet that is back fulfilling its traditional role.

Fuel—and food

But even though he is stripped of some of his responsibilities in the field of energy-providing resources, his job as Secretary of Agriculture finds Mr. Butz playing an important role in seeking to offset some of the impact of fuel shortages on the national economy.

To meet this worsening situation the Administration has lifted some import restrictions on foreign crude oil. More and more foreign oil will be brought in in the years ahead. This will contribute significantly to what is already a serious balance of trade deficit. One area in which the United States can compete effectively on the world trade scene is in agricultural products.

The U.S. trade deficit of $6.5 billion in 1972 would have been $10.5

Earl Butz: Plowing New Furrows for U.S. Agriculture *continued*

billion, save for the vast amounts of American food and grain moving into overseas markets. That deficit could reach "astronomical proportions" if foreign oil flooding this country is not offset by increased exports of U.S. farm products, according to the Secretary.

"Our agriculture exports will top $11 billion this year," says Mr. Butz. "This is more than double what they were when Mr. Nixon took office. The President had set a goal of $10 billion in these exports by 1975. We've reached that goal two years sooner and topped it by a billion dollars. I'm looking down the road to $15 billion in exports."

Diplomatic weapon

Food is becoming a vital weapon in the diplomatic quest for world peace.

"When President Nixon went to Peking and Moscow last year one of the powerful tools he had in his diplomatic kit was this bountiful food supply we have in America," Mr. Butz reports. "And it was used that way."

He says Mahatma Gandhi summed up world history when he said: "Even God wouldn't dare approach a hungry man except in the form of food."

Food, Mr. Butz continues, "is a truly international language. It knows no barrier. It pierces every Curtain, Iron and Bamboo. That's the language the United States is prepared to speak—forcefully, powerfully and on a sustained basis."

Increased sales of U.S. agricultural products abroad offer tremendous advantages both to American business and American labor. For every 100 million bushels of grain moving in export, an estimated 3,000 to 5,000 jobs are created. Last year's grain exports alone generated from 60,000 to 100,000 new jobs, according to Mr. Butz.

For businessmen these exports mean stepped-up sales of everything the farmer buys. The railroads have increased their purchases of hopper cars; port facilities are being expanded; and great numbers of barges are being built.

"It is important to know that agriculture is an inexhaustible, renewable resource, not like a petroleum field whose reserves can be depleted or the Mesabi Range where iron ore is now running out." Mr. Butz says.

In the Kennedy Round of trade negotiations during the 1960s, the Secretary charges, "agriculture was sold down the river." But things will be different, he asserts, when a new round of negotiations, scheduled in September, gets under way.

"Our negotiators didn't realize the fundamental importance of agriculture the last time around," says the Secretary. "We've had a hard struggle ever since to open up world markets. But this time agriculture will be strongly represented."

There are some stumbling blocks, to be sure—the European Economic Community, for example. Mr. Butz met in Paris recently with foreign agricultural ministers and says:

"I took a very strong stance with them. I told them they should move toward lower price programs, especially for feed grains, which would result in lower prices for meat and eggs and milk for their consumers."

At the time he was in Paris, butter was selling in supermarkets there for the equivalent of $1.20 a pound. The French government had just reached an agreement with Moscow to sell the Soviets surplus butter for 19 cents a pound.

"That made ugly headlines for the French housewife," the Secretary recalls.

The significance of America's expanding role in feeding the world is dramatically demonstrated in the fact that one acre of cropland out of every four now is devoted to export.

One of Earl Butz' immediate problems is to see that farmers receive adequate supplies of gasoline and diesel fuel to ensure that they can get their crops in. He believes that a White House directive just handed down, allocating more fuel to agriculture, will take care of the farmers' needs.

On energy, as on virtually every other subject, Earl Butz' penchant for frankness surfaces readily. Asked at a public meeting to comment on the potential gasoline shortage, he said:

"Well, I wish that if this gasoline shortage comes, the first people to be hit by rationing will be those who stopped the Alaskan pipeline."

This drew immediate fire from environmentalists—which didn't seem to bother the Secretary.

"We are now doubling our energy requirements every 15 years," the Secretary says. "The sheer mathematics of it dictates that we move ahead, if we don't want to have cold houses in the dark."

He feels the wave of environmentalism which has swept the country—"sometimes sensible, sometimes well-founded, sometimes extreme"—is now less emotional and more in keeping with facts.

"We are beginning to put a price tag on environmentalism," Mr. Butz says. "Do we really want to pay the price to have our air absolutely clean or do we want to have plenty of electricity at modest cost? Do we really want to prevent drilling rights 10 miles offshore where you can't see the rigs or are we willing to give up cheap gasoline?"

The risk-benefit ratio

In his opinion, Americans will have to be willing to "optimize" the risk-benefit ratio in their daily lives.

"This is a risky world," he explains. "I fly a lot. There is pollution from airplanes but I think most of us are willing to pay a little for the convenience of getting there faster. There are some accidents in the air. I don't insure myself for what I'm worth. I couldn't afford it.

"There is a risk from pesticides and insecticides in the foods we eat. But they result in cheaper food."

Secretary Butz feels this country can find enough energy sources for its needs, given the ingenuity that has carried it forward. He says:

"There are very substantial proven reserves of gas and oil in the United States and we must find ways to get at them. There are unlimited amounts of coal and we must find ways to remove the sulfur. Ultimately, the source of energy will be the solar system. We'll learn someday how to harness it."

High food prices, and the complaints that stem from them, take up much of Earl Butz' time these days. Needless to say, he has taken a lot of heat from the consumer. But he's

always quick to defend the farmer.

The AFL-CIO's President George Meany said privately a few weeks ago: "We don't see eye-to-eye, but that Butz sure fights for the farmers. I wish we had somebody like him at the Labor Department." (The reference was, of course, to Secretary of Labor Peter J. Brennan, with whom Mr. Meany also has not been seeing eye-to-eye.)

"Nobody seems to get unduly concerned when farm prices are very low and farmers are losing money," Mr. Butz says. "But in the years when farm prices recover and farmers have a chance to do a little better, then we hear lots of static."

He delights in answering such questions as: "When can we expect to return to the days of the 59-cent pork chop?" He usually will reply: "When we return to the 60-cent minimum wage and the $1,000 Chevrolet, and when you can get that plumbing job done for $19 instead of $89."

The Secretary's tough stance against controls or ceilings on food—particularly meat—put him in a difficult position not long ago. He no sooner had made a now-well-known statement about "damn fools who don't agree with me" and subscribe to price ceilings than President Nixon announced he was imposing ceilings on meats.

But Earl Butz took the setback with good humor. When he was asked, at a National Press Club luncheon a few days after Mr. Nixon's action, whether he intended to include the President among those "damn fools," he laughed and shot back: "Do you beat your wife?"

Mr. Butz remains convinced that, overall, food prices will level off and then start to drop—and without general controls.

The Secretary concedes that earlier official forecasts about food prices hit a more pleasant note for consumers than the jarring dissonance of what actually is happening. Instead of the originally-predicted 6½ per cent rise this year, Agriculture Department experts say, it now appears that the increase will wind up between 9 and 10 per cent.

"But most of the increase is behind us," Mr. Butz says. "You can look for food costs to start declining—depending, of course, on weather conditions and other factors."

As evidenced by what happened on meat ceilings, his food price views do not always win universal acceptance in upper echelon Administration discussions.

"Meatless Tuesdays"?

When, at one White House meeting, Federal Reserve Chairman Arthur F. Burns tossed out the idea of trying "meatless Tuesdays" in an effort to force down meat prices, Mr. Butz told him:

"Look here, Arthur. Every home has a refrigerator. If they don't buy meat on Tuesday, they'll buy it on Monday or Wednesday and you'll be just where you were before."

On another occasion, the President's special assistant for consumer affairs, Mrs. Virginia H. Knauer, proposed a 30-day freeze on food prices.

"Virginia, if you do that you won't have any food on the grocery shelves before the 30 days is up," Mr. Butz told her.

The Nixon Administration's thrust, according to the Secretary, is to get the government off the farmer's back, not bring him further under the federal umbrella.

Mr. Butz believes that freeing new acreage for more crop planting will help ease the food price situation. He does not think this will result in the kind of commodity surpluses that plagued previous Administrations.

"That is a possibility, but extremely improbable," he says.

Actually, he points out, the United States could be moving toward a situation in agriculture in which production will adequately meet demand. He points with pride to the fact that after 25 years the Commodity Credit Corp., responsible for handling crop surpluses, is going out of business.

In addition to huge quantities of American wheat being bought by the Soviet Union, with prospects of additional sales over the next few years, Mr. Butz feels farmers can look toward other greatly expanded foreign markets for their products.

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Earl Butz: Plowing New Furrows for U.S. Agriculture *continued*

world peace," he explains. "In an unstable political situation, nations tend to be self-sufficient on food even though it's uneconomical. That will not be the case now."

The Japanese bought $1.8 billion worth of U.S. farm goods last year, making their country our No. 1 agricultural customer, and will be buying even more in the years ahead, Mr. Butz says.

For one thing, he says, in Japan, where annual beef consumption is only nine pounds per capita, "they have discovered beef and they like it."

He reports telling a delegation of visiting Japanese recently that "someday they'll be eating beef like we do and it will be grown on American feed grains.

"I told them I know how they'll pay for this grain. I mentioned Nikon cameras, Sony tape recorders, Toyotas. . . . They got the point."

The productivity problem

Mr. Butz says the "root problem" behind the poor U.S. showing in world trade is productivity.

"We used to sell the world its steel, but not anymore," he says. "We used to sell its automobiles, but not anymore. We used to sell its textiles, but not anymore.

"But we've trebled production on our farms in 20 years. I defy any other segment of the economy to match that. The U.S. is still a good place to buy farm products because farmers don't goldbrick on the job."

An aerial tour of the flooded Mississippi River valley gave him another opportunity to pay tribute to farmers:

"We'll get those crops in. Those farmers are going to run their tractors around the clock. They've never heard of a 40-hour week."

The Secretary feels poor productivity has something to do with skyrocketing meat prices.

He cites the case of a Nebraska meatpacker who tried to ship beef to New York and other Eastern markets in virtually precut form. But a meatcutters' union balked, demanding that the beef be shipped as always, in sides.

"So this Nebraska beef is moving east, in bulk form, with all that wasted space in the trucks," Mr. Butz says. "And that's all added in to the price of meat you buy at the supermarket."

He is not amenable to organized labor's suggestion that wages be linked to food prices.

"If George Meany wants to tie his wage requests to the retail food price index," he asks, "will he be willing to ask for lower wages when food prices come down?"

Secretary Butz argues that Americans' tastes in food, and unwillingness to forego gratifying those tastes, constitute a price factor that shouldn't be overlooked.

Not long ago he decided to do the grocery shopping for Mrs. Butz at a Washington supermarket. He tells what transpired:

"This young man was standing by me at the meat counter—he didn't know who I was—grumbling to anyone who would listen about the high price of steak.

"I said: 'Young man, look at that turkey over there. That's a good buy—only 52 cents a pound.' He muttered: 'I'm tired of turkey.'

" 'Well, how about that chicken—only 48 cents a pound?' 'Nope,' he replied, 'I'm tired of chicken, too.'

"He reached down into the cooler, picked up a $2.10-a-pound piece of steak, and stalked out."

It is clear that the Secretary relishes his job and the controversy that goes with it. As he told a friend: "Getting fired isn't one of the things that worries me. I could make more money doing something else."

When Earl Butz was appointed to head up the vast and complex Department of Agriculture in 1971, his primary assignment was obvious: Get out the farm vote for Richard Nixon's reelection. All over the Middle West there were auto bumpers saying: "Vote Nixon or Lose Your Butz." In November, Mr. Nixon won the Farm Belt vote overwhelmingly.

The tone was set for Mr. Butz to be controversial when he came up for Senate confirmation as Agriculture Secretary. He was opposed both by Farm Belt Republicans and liberal Democrats.

In the opponents' view, Mr. Butz had aligned himself too closely with "agribusiness"—he was accused of favoring interests of large agricultural corporations over those of the family farmer. He had, it was brought out, been a director of Ralston Purina, International Minerals and Chemical, and Stokely-Van Camp. His confirmation squeaked through the Senate 51-44. No Cabinet appointee has been so opposed since the rejection of Lewis Strauss as Commerce Secretary in 1959.

Old Washington hand

This is Mr. Butz' second tour of duty in official Washington. He served as assistant secretary of agriculture for marketing and foreign affairs from 1954 to 1957 under the controversial Secretary Ezra Taft Benson.

Before returning to Washington Mr. Butz was back at his alma mater, Purdue University, serving first as dean of the School of Agriculture and later as dean of continuing education.

Washington had a special place in Mr. Butz's life long before either of his tours of duty in it.

In the summer of 1930, he attended a national 4-H Club conference in the capital. At vesper services one evening, in the patio of the Agriculture building, he met a fellow 4-H member, Mary Emma Powell, who hailed from North Carolina. Seven years later, they were married.

Whenever he has a visitor in the patio the Secretary proudly points out the precise spot where he met his future wife.

Mr. and Mrs. Butz, who have two grown sons, live a quiet life in their Southwest Washington apartment development, where one of their neighbors is Hubert Humphrey.

After what typically is a 10- or 12-hour day, the Secretary usually spends his evenings reading. He likes history and business subjects.

"I relax on the job," he says. "I am not a worrier. My hobby is people. I like to work with them and talk with them."

He hasn't seen a movie in years and calls himself an "illiterate" as far as watching TV entertainment is concerned.

"But I do like to catch the issue programs on television," he adds. "And, oh, yes, I like Lawrence Welk." END

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A New Degree of Demand for M.B.A.'s

The job market has opened wider for this June's crop at the graduate schools of business

Happier days are here for M.B.A.'s.

The economy's boom means that demand is climbing for June graduates who have just won their Master's Degree in Business Administration—the business school's equivalent of karate's black belt.

New M.B.A.'s are more sought after this spring than they have been for the past four years.

Over half the 70 schools responding to a special survey by the American Assembly of Collegiate Schools of Business say that M.B.A. recruiting of June grads is up 10 per cent—or more—from 1972.

One third report that recruiting, by firms big and small, is at least 20 per cent higher than last year.

The survey, conducted by AACSB for NATION'S BUSINESS, reflects a familiar pattern.

"Usually there is a six- to nine-month lag between a change in business conditions," says J.D. Snider, director, business placement office, Indiana University, "and its impact on college graduate employment.

"The GNP's vigorous growth in the past 12 months has generated a strong wave of optimism in business circles.

"Thus it would appear that the time is just about ripe for the business employers to give more serious consideration to hiring college graduates."

Salaries: A slight climb

So far, the increased demand has not meant a rapid inflation in M.B.A. starting salaries.

"The median starting salary for an M.B.A. with a nontechnical undergraduate degree, according to the survey, is $1,030 a month—or $12,360 yearly," says Dean William H. Baughn, president, AACSB. "That shows only a modest increase over recent years."

During 1969 to 1971, hiring of college graduates slumped, statistics show.

Engineering and technical graduates were hit hardest.

"Although business graduates' recruiting was hurt, too," says Dean Eugene Clark, College of Economics and Business, Washington State University, "they fared better than most.

"And last year, M.B.A.'s accounted for nearly three out of four of all job offers made to master's degree candidates."

The keenest demand, Washington University's business school reports, is for M.B.A.'s in accounting and finance.

That's a continuing trend reflected in reports from many other institutions that took part in the poll.

Outside the corporate circle

However, new fields are surfacing.

"Real estate investment" is one new area of demand, The Amos Tuck School of Business Administration, Dartmouth College, finds—as do the graduate schools of business at the University of Chicago, the University of Virginia and elsewhere.

In addition, there are more openings for M.B.A.'s outside the corporate circle.

Says John E. Steele, placement director at Harvard University's graduate school of business: "We find a growing demand for our M.B.A.'s in the nonprofit sector."

Women and minority members (blacks and Mexican-Americans) are still few in number among M.B.A.'s. But based on a relatively small sample of business schools which reported starting salaries for these two groups, short supply does not necessarily mean higher pay.

In fact, nearly half of those schools which furnished starting salary figures for women M.B.A.'s report them getting lower offers than those going to comparable male graduates. Only about one out of seven say their women M.B.A.'s are receiving higher salary offers than male classmates.

Minority M.B.A.'s are doing better in the pay area—again, based on a rather small sample of the schools responding to the survey.

Half of those reporting on the subject say minority graduates command higher starting salaries than white males with the same degree.

About a fourth say pay offers are lower. The remainder find starting salary offers about the same for both groups.

Why haven't starting salaries for M.B.A.'s in general climbed as sharply as the increase in corporate recruiting?

"Perhaps because there's a growing supply of M.B.A. candidates," says Dr. Cyril C. Ling, executive vice president, AACSB.

"The effective supply of business graduates," says Indiana University's Dr. Snider, "those available and interested in career employment, jumped nearly 25 per cent as the military drain was halted. In addition a growing number of Viet Nam veterans are entering the market."

Job competition, business deans point out, is coming from another quarter as well.

The Equal Employment Opportunity Commission takes a jaundiced look at requiring a specialized degree—or specialized education—as a prerequisite for any job.

Says one dean: "In the future, employers who earmark a job for an M.B.A. had better be able to prove that he needs the degree to hold down the position.

"Except for the most technical positions, employers will have a hard time ruling out women and minority candidates who don't have the degree.

"That goes double for companies already under compliance pressure from EEOC." END



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This Month's Guest Economist

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Trans-Atlantic Air Fare War

The fares that determine the economics of the international airline industry are arrived at in a most remarkable way.

Twenty-five airlines from 23 countries offer 40 different fares across the North Atlantic. They range from $198 to $842 between New York and London.

Historically, each airline has offered the same fare under the same conditions—conditions that travelers must view as unnecessarily complicated and that we, frankly, view in the same way.

Fares vary according to whether you choose the splendor of first class, or the austerity of economy. Whether you're a businessman racing over and back, or one of the leisure class with 21 or even 45 days to spend abroad. Whether you travel alone or are bound to fellow passengers by some affinity. Whether you travel in the slack, peak or "shoulder" seasons. And so forth.

To produce this bewildering array, the airlines get together every other year under auspices of the International Air Transport Association to reach a fare agreement. Editorial writers and consumer advocates charge it's tantamount to a heartless industry exploiting helpless consumers. Others tend to blame the confusion on hopeless incompetence.

The forgotten factor is that an American carrier cannot land in another country without that country's permission. The United States, in turn, must give that country's airline permission to land here. And each government generally claims the right to approve the fares that foreign airlines charge to, from, and within its country.

Multiply this by the number of international airlines, the number of countries they serve, the variety of fares each may offer, and the need to maintain some kind of proportion over different routes—and the IATA's activity begins to become almost comprehensible.

This year's IATA fare conference broke up without setting fares to commence when the existing agreement expired. In the absence of an agreement, individual airlines began filing innumerable, conflicting fares with governments.

To avoid utter confusion, all were rejected and existing fares were extended—with corrections for devaluation—for another year.

One of the problems is that nearly all European governments own and operate their national airlines. Instead of treating them as isolated companies—which must profit or perish—they regard the airline as one of several elements composing their total tourism industry.

They are prepared to accept a loss on airline operations if it produces a volume of tourists whose spending in the country increases the profits of the overall industry.

Another problem is the growth of the supplemental, or nonscheduled, airlines.

Originally, the "nonskeds" were supposed to augment scheduled services with charter services to organizations. This meant they didn't have to fly regularly, like scheduled lines. They only had to fly when full.

So the nonskeds are able to spread their costs over full planeloads of passengers and can offer cheap seats. The scheduled lines, where an average of fewer than 60 passengers have to pay for 100 seats, and where heavy summer revenues must pay for winter losses, can't match the price.

Obviously, the nonskeds could destroy the airlines they were supposed to supplement if their low-cost charters drained off summer revenue from scheduled lines.

So the government limited supplementals to carrying organizations, and assigned scheduled lines to carry individuals.

But last year, the Civil Aeronautics Board started a trend by approving TGC's—travel group charters.

An organizer can charter an airplane and assemble a planeload of customers from the market the scheduled lines depend on—the general public—and can undercut scheduled service prices.

This forces the airlines that must produce unused capacity to compete on equal terms with those that don't bear this burden.

A disagreement among airlines as to how to face this new type of competition led to the fare agreement impasse.

What the U.S. carriers need is a fare structure that will pay the costs of providing regular, scheduled service.

We disagree with those who feel that by charging approximately the same as the charters we'll generate enough additional traffic to offset the lower yield.

Lower fares can't help in the peak summer months, because all the airlines are running near capacity then, anyway.

The question becomes: Can lower fares generate enough additional volume in winter to make up for their terrible year-round dilution of yield? Our business judgment, based on our best analyses, says No.

Eventually, the governments involved will probably have to take the next step and confer. If they cannot agree, the matter could be referred for arbitration to the International Civil Aviation Organization, a branch of the United Nations.

What other industry could end up having its prices set by the United Nations?

The fact is that IATA is not a monolith imposing its will on the traveling public, but a forum battered by the conflicting attitudes and interests of hundreds of governments, publics, air carriers and constituencies.

It does not exist to extract the maximum fare from the passenger, but to establish a sane and balanced system of fares for customers traveling between dozens of countries.

Granted the inevitable variety of political and national motives involved, IATA's fare decisions must be grounded in business economics.

Only as sound operations themselves will the international airlines maintain their role as viable contributors to the health and growth of the world business community.

The Lazy Man's Way to Riches

'Most People Are Too Busy Earning a Living to Make Any Money'

I used to work hard. The 18-hour days. The 7-day weeks.

But I didn't start making big money until I did less—a *lot* less.

For example, this ad took about 2 hours to write. With a little luck, it should earn me 50, maybe a hundred thousand dollars.

What's more, I'm going to ask you to send me 10 dollars for something that'll cost me no more than 50 cents. And I'll try to make it so irresistible that you'd be a darned fool not to do it.

After all, why should you care if I make $9.50 profit if I can show you how to make a *lot* more?

What if I'm so sure that you *will* make money my Lazy Man's Way that I'll make you the world's most unusual guarantee?

And here it is: I won't even cash your check or money order for 31 days *after* I've sent you my material.

That'll give you plenty of time to get it, look it over, try it out.

If you don't agree that it's worth *at least a hundred times* what you invested, send it back. Your *uncashed* check or money order will be put in the return mail.

The only reason I won't send it to you and bill you or send it C.O.D. is because both these methods involve more time and money.

And I'm already going to give you the biggest bargain of your life.

Because I'm going to tell you what it took me 11 years to perfect: How to make money the Lazy Man's Way.

O.K.—now I have to brag a little. I don't mind it. And it's necessary—to prove that sending me 10 dollars... which I'll keep "in escrow" until you're satisfied... is the smartest thing you ever did.

I live in a home that's worth $100,000. I know it is, because I turned down an offer for that much. My mortgage is less than half that, and the only reason I haven't paid it off is because my Tax Accountant says I'd be an idiot.

My "office," about a mile and a half from my home, is right on the beach. My view is so breathtaking that most people comment that they don't see how I get any work done. But I do enough. About 6 hours a day, 8 or 9 months a year.

The rest of the time we spend at our mountain "cabin." I paid $30,000 for it—cash.

I have 2 boats and a Cadillac. All paid for.

We have stocks, bonds, investments, cash in the bank. But the most important thing I have is priceless: time with my family.

And I'll show you just how I did it—the Lazy Man's Way—a secret I've shared with just a few friends 'til now.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." When I started out, I was so deep in debt that a lawyer friend advised bankruptcy as the only way out. He was wrong. We paid off our debts and, outside of the mortgage, don't owe a cent to any man.

It doesn't require "luck." I've had more than my share, but I'm not promising you that you'll make as much money as I have. And you may do better; I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging $25,000 a year for the past 5 years, using my methods.

What *does* it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into *action*. If you do just that—nothing more, nothing less—the results *will* be hard to believe. Remember—I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again—I guarantee it.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and an 8-cent stamp. But what if I'm right?

Sworn Statement:

"I have examined this advertisement. On the basis of personal acquaintance with Mr. Joe Karbo for 18 years and my professional relationship as his accountant, I certify that every statement is true."

[Accountant's name available upon request.]

Bank Reference:
Southern California First National Bank
17122 Beach Blvd., Huntington Beach, California 92647

Joe Karbo
17105 South Pacific, Dept. 512-F
Sunset Beach, California 90742

Joe, you may be full of beans, but what have I got to lose? Send me the Lazy Man's Way to Riches. *But don't deposit my check or money order for 31 days after it's in the mail.*

If I return your material—for *any* reason—within that time, return my *uncashed* check or money order to me. On that basis, here's my ten dollars.

Name _____

Address _____

City _____ State _____ Zip _____

© 1973 Joe Karbo



LESSONS
OF
LEADERSHIP
PART XCVII

Quentin Reynolds of Safeway Stores

Low costs—and high sales and profits

An old, five-story building just off the Nimitz Freeway in an industrial area of Oakland, Calif., looks like a warehouse, which it once was.

The paint covering its masonry exterior has a tendency to peel. Inside, some of the floor covering in its hallways is just a bit worn.

The building is the world headquarters of Safeway Stores, Inc., a company which last year had more than $6 billion in sales.

To the company's No. 1 executive, the building's decided lack of splendor is decidedly unimportant.

What is important to Quentin Reynolds, Safeway board chairman and chief executive officer, is that the company has been growing steadily in both sales and profits, and that it continues along the growth route.

Sooner or later, Safeway probably will build itself a new headquarters. But meantime, Quent Reynolds tells you, Safeway stockholders are delighted by top management's being so intent on shaving costs that it happily works in smallish offices in humble surroundings.

Safeway has come a long way under Quent Reynolds, and before that under Robert A. Magowan, who took over as chairman, chief executive officer and president in 1955 and still shows keen interest in the company as chairman of its executive committee.

Once far behind food retailing industry leader A&P in sales, Safeway is now hard on A&P's heels (making it the third largest retailer in volume—Sears, Roebuck is first). In profit, Safeway is tops in food retailing—last year, it netted $91 million.

Mr. Reynolds started with the company as a part-time food clerk, serving later as a store manager and then progressing through a series of executive posts, becoming president in 1966, chief executive officer in 1969 and board chairman in 1971.

He fell in love with food retailing as a teen-ager, he tells you, and, at 67 a rugged-looking man who seems a decade younger, he has no plans to leave it. The selection of William S. Mitchell as president two years ago has lightened his burdens.

A widower who is remarried to a widow—his first wife was killed in an auto crash—Mr. Reynolds has helped raise two sets of children. His three sons by his first marriage are all grown now, as are his stepson and two stepdaughters.

He and Mrs. Reynolds live in a high-rise apartment on Nob Hill in San Francisco, across San Francisco Bay from Oakland.

Quent Reynolds is a man who is concerned about what he calls our "social responsibilities." One of Safeway's corporate objectives, he says, is to practice good citizenship in the conduct of its business and in community and social relations. The company has helped in developing enterprise by members of minorities, for example, and has a strong "affirmative action program" dedicated to minority hiring and training.

Mr. Reynolds himself is currently a regent of St. Mary's College, Moraga, Calif., his alma mater; he's a member of the National Business Council for Consumer Affairs, the Policy Committee of the United Bay Area Crusade, and the Board of Trustees of the Bay Area Council; and he's a director of the California Chamber of Commerce.

In his work, he leans heavily on the personal touch—as he reveals in this interview at his Oakland office with a NATION'S BUSINESS editor.

With food prices so much in the news, could you comment on how they stack up against other prices?

Well, consumer expenditures for food today amount to less than 16 per cent of family income. Ten or 12 years ago, that figure was in the neighborhood of 25 per cent. Food,

despite the fact that it's gone up substantially in cost, is still one of the best values when you look at the costs of many other consumer products, like clothing, and of services.

What percentage of a housewife's dollar spent at Safeway winds up as profit for the company?

Last year was one of our best in seven or eight from the standpoint of net after taxes. We made exactly one and a half cents on every dollar of sales.

Now, we aren't pleased with that. We think the figure should be in the neighborhood of 2 per cent, to give the shareholders a reasonable return on their investment. But that 1½ per cent is substantially over what the industry as a whole shows for the year. We think that's due to the fact that—well, we like to think we're superior operators.

Have your labor costs risen in line with what the food you sell costs, or more so?

More so. Rises in labor costs are of great concern to us and to our entire industry. We have been unable to increase productivity to the same extent. But we must, if we are to survive.

We can't absorb these continuing wage and employee benefit increases if we don't improve productivity.

How are you trying to improve it?

For several months, we have been conducting a test of an advanced electronic checkout system in our Alamo, Calif., store. Others in the industry are working on similar projects. I look for a major breakthrough for the industry within the foreseeable future.

A few years ago, we established an industrial engineering department to assist our retail and processing operations in the development and implementation of better work methods. We call it our "work smarter, not harder" program.

Which brings to mind another phrase, a Safeway motto: "Distribution without waste."

That came into being back in the '20s and it has remained our motto all these years. Actually, though not in those exact words, it goes back to 1915 when M.B. Skaggs, the founder of what became our company, opened his first store in American Falls, Idaho. His objective was to cut as many costs as possible through direct buying and selling methods, and to eliminate as much expense waste as possible.

I understand that you personally issue periodic reminders to Safeway people about the ways waste motion can be cut down.

If we're going to have happy employees, we must guide them to do a better job. It's a continuing battle to encourage them to develop a loyalty to the job, to the company and to themselves.

We have over 100,000 employees. It's difficult, as we grow, to maintain the lines of communication with them that we had when we were smaller, but it should be a concern of all those who have corporate responsibilities such as I have to keep such lines of communication open.

You need to be close to your people.

One of the things I miss in this job is the ability to get out and see what is going on in the firing line, as I used to.

When I was manager of our San Francisco division's operations, there were times when I'd take the papers off my desk, throw them in a deep drawer, and get out in the stores to find out what was going on. The employees in our stores are the people who have the contact with the customers, and if you want to know what's going on, you can find out from them firsthand.

Do you do any of that now?

Yes, when I can. That's my first love. I'm a retailer and there's nothing I like better than going out and talking to our people in the stores.

The newest food clerks—I like to become acquainted with them.

I'll ask: "Why did you come with Safeway? What has been your experience with us so far, and are you getting the assistance you need from your store manager, for example? Is he giving you adequate training?"

But you're not able to do that as much in your present position as you once did?

No. But we certainly do encourage it in all of our executives who are out in the field.

When I was a district manager with 15 or 16 stores to supervise—this goes way back—I carried a little black book in my pocket.

I went out visiting stores almost daily and I had the names in that black book of every employee in the district, from the store manager on down to the newest food clerk. I had the family situation for each of them—married, how many children they had, whether there had been a recent birth in the family, hobbies, etc. Before entering a store I reviewed that information.

And you know, nothing compliments an employee as much as having his superior indicate a personal interest in him.

It goes a long way.

One of the problems we have is getting that new employee past the first six or eight months of employment. The treatment he receives in that period, the encouragement or lack of it, pretty much determines whether he's going to stay with us. And whether he does a good job.

You maintain something of an open door policy, so all sorts of people in the company can get in touch with you personally, don't you?

Certainly. They can at any time. And, quite frequently, I answer my own phone.

Somebody called me from New York two or three weeks ago and I picked up the phone and indicated who I was.

He said: "I'm surprised that I'd get the chief executive officer. I thought I'd have to go through a whole group of people first."

I said: "No, not necessarily so."

"Well," he said, "aren't you bothered by a lot of inconsequential calls from cranks and so forth?"

And I told him: "Oh, occasionally, but that's part of the job and I don't mind it."

Sometimes customers call me direct, and I enjoy talking to them. Frequently they have a complaint to register and, many times, I'm able to



Thanks to these people and 427,988 others, 1972 was a great year.

People like Hernando Blanco, Peter Brinkerhoff, Pushpalata Chakravarthula, Tad Dmochowski, Margaret Gyumolcs, Ray Holloway, Henri Lellouche, Maureen Monahan, Aida Olivo, Arthur Schmitt, Anna Shek and Grace White.

The efforts of our 428,000 people, worldwide, made 1972 the 13th consecutive year of new records in sales, income and earnings per share.

Worldwide sales and revenues for 1972 reached new highs.

Total worldwide sales and revenues for 1972 reached a new high of approximately $8.6 billion, an increase of 12 percent over restated 1971 sales of $7.7 billion.

In addition, finance company revenues and insurance premiums earned increased last year to $1.7 billion, up 14 percent from $1.5 billion in 1971.

Consolidated income for the year, before extraordinary items, rose to $477 million, a gain of 12 percent, compared with restated 1971 income before extraordinary items of $427 million.

Telecommunications and financial services were areas of strength.

This income was equal to $3.80 per share on an average of 124 million common and common share equivalents outstanding, an increase of 11 percent over 1971 per share earnings of $3.43 on 123 million shares outstanding.

The financial results for 1971 have been restated to include the operations of companies acquired in "pooling of interests" transactions in 1972.

We attribute much of the improvement in sales and earnings for 1972 to continued strong worldwide demand for our telecommunications equipment, principally in Europe, and also to gains in the financial services areas, including The Hartford Group. Other areas of strength included worldwide communications operations, consumer products and natural resources.

If you would like a copy of our 1972 Annual Report, write: Director of Investor Relations, International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022.

ITT

SERVING PEOPLE AND NATIONS EVERYWHERE

Quentin Reynolds

continued

soothe their feelings and also to take corrective action.

Isn't there a big drain on your time?

No, not really. There's some screening of calls, but usually, if I'm in the office, I'll pick up the phone.

Up until three years ago, we had an executive dining room in this building. We abandoned it, and now we all eat together.

Lunch is one of the most pleasurable times of the day for me. I don't eat with other top executives, necessarily. I sit wherever I feel like it, in any available space, and I can talk with anybody who works in the building—clerical workers included.

You'd be surprised how much they appreciate it and how much I appreciate the opportunity to find out a little bit about their jobs and how they're getting along.

Your headquarters building certainly is down-to-earth.

Well, we've been here since 1926 when the corporation was much smaller. The building once was a warehouse.

We've thought on numerous occasions about moving—we need additional space; we're pretty much spread around this area—and one of these days we're going to build a new office building. But our cost here is extremely low and a new building that would accommodate our needs would cost in the neighborhood of $10 to $12 million.

We're getting along all right, although many people, particularly the mayor of Oakland, have been after me about the building for years.

Once, the mayor said: "Quent, I don't understand your attitude, staying in that old building—international headquarters for one of the largest corporations in the world. Dignitaries come to town. I take them to the Kaiser Building. I take them here, I take them there. But I wouldn't think of taking them down to that old barn."

I told him: "Well, our stockholders appreciate it."

Safeway reached its peak in number of stores 40 years ago, when its sales were less than a 20th of today's. How do store sizes compare?



Chairman Reynolds likes to mix with all sorts of Safeway employees (here, he's at the company's Richmond, Calif., meat warehouse). "Quent is a people's guy," a longtime associate says. "He has charisma."

We had about 3,500 stores at the end of 1933, against today's 2,350. The stores then averaged perhaps 3,000 square feet overall—and even that was bigger than when I started in the business in 1923 with the predecessor to Safeway.

In those early days the average store was maybe 25 feet wide and 40 to 50 feet deep, with no self-service. Stock consisted of 500 or 600 items, where today we're stocking a minimum of 10,000 items in our larger stores.

In the early '40s, we built stores in the area of 5,000 to 6,000 square feet. After the war, we started developing them in the neighborhood of 10,000 square feet, and that figure has gone up ever since. Stores we open today average 24,000 square feet with some reaching 33,000.

The big jump from, say, 4,000 to 10,000 square feet was due, wasn't it, to the fact that people started driving to their shopping, and stores drew from larger areas?

Correct. We put a few parking lots in stores as early as 1935. Beginning in 1938, nearly every store we opened had a parking area for customers.

How about the store of the future?

I think the future is going to see more of the larger stores, mainly because of the need to satisfy demand for more variety of merchandise.

Hundreds of new items are coming into the market every year, and

they create customer demand. Convenience foods have become extremely popular.

So shoppers will be going to more super supermarkets. Do you envision a maximum size?

My thinking at the moment is that a 27,000- to 33,000-square-foot store is adequate. After all, a customer does not ordinarily have a great deal of time for her shopping, and if the store is too large it becomes too difficult for her to get around in during the time she has to spare.

Do you see major changes in food processing technology?

I think there will be breakthroughs in many areas to better serve the public and at the same time reduce costs. This is a very highly competitive industry and those who accept change and put it into effect will be the ones who survive and expand.

For one thing, I think there will be a trend toward centralized production of retail meat cuts, both fresh and in frozen state. The consumers, as of now, have not readily accepted frozen meats, but I believe they will in time because the quality will be there and the method of production will bring about lower costs.

Also, we could see an upsurge in production of freeze-dried foods, of which there are few on the market today and which—with perhaps a few exceptions—have not been readily accepted by the consumer.



Most weekends, Mr. Reynolds can be found in his retreat at Stinson Beach, in Marin County north of San Francisco, where he machine-polishes treasured collections of rocks and of seashells like these.

What advantages are there to freeze-dried food as against conventional frozen food?

Well, freeze-dried items have better keeping qualities. On top of that, they use less shelf space in stores.

You have been quoted as saying that as soon as you open a store it has some obsolete features.

Once we settle on a site to purchase, it takes about a year and a half to the opening day. By the time we open, there are many changes in its layout we would like to have made, but we're locked in. There are changes every day in this industry. What we did yesterday may not hold true for today.

That is particularly so because of the buying habits of the consumer. Frozen foods are a good example. A few years ago we may have had 100 linear feet of frozen food fixtures in our latest, most modern store. Today we put in 300 to 350 linear feet.

Safeway leans particularly heavily on brands of food it produces itself. Is that a factor in your having a higher rate of profit than many of your competitors?

Yes. Approximately 10 per cent of our total sales comes from what we process and manufacture in our own plants. Those operations contribute substantially to improved profits and, at the same time, save money for our customers through lower prices.

Most of your stores are now discount. If one and a half cents on the dollar is not an untypically low overall profit margin for you, as you indicated earlier, how in the world could you go into discounting?

Well, at one time some 1,400 of our stores were giving trading stamps to customers. Trading stamps cost from 1.4 cents to more than 2 cents on the dollar—an expense that we passed along in the pricing of merchandise.

We eliminated stamps; and we eliminated that cost. That, together with other economy moves, enabled us to pass the savings along to our customers.

An organization called the Interfaith

it's time to develop a positive attitude toward



here's a public relations program to do just that....

The National Chamber has developed a profit kit in response to the often-expressed wish for a more rational public attitude toward profits.

For too long business has not given much attention to explaining the fundamentals of the business system. Maybe we assumed that the public understood them well enough, or that popular opinion would continue to be fair-minded and well-informed even in the face of increasingly fashionable, one-sided, and irresponsible attacks on the profit system. But if that's what we thought, we were wrong. Much of the public has never been exposed to the fundamentals. And it shows—in private surveys and in public debate.

Profits, especially, are the subject of some astounding misapprehensions among the public. You may know of the Opinion Research Corporation Survey which revealed that, at a time when manufacturers' after-tax profits were 4% nationally, the public believed that they were an unreasonable 28%, and that 10% would be reasonable! Anyone who holds so distorted a view of what manufacturers put into and take out of the national billfold can easily believe, for example, that business can absorb sharply higher taxes and the costs of pollution abatement without raising prices.

The positive story of the market system does not "speak for itself"—we will have to tell it. The profit kit gives you a chance to do that. It tells the positive story of the profit incentive. The key message is one you surely want your people and your community to remember: WE ALL PROFIT FROM PROFITS.

The kit offers suggestions on how to use the materials to get the story out—to employees in your plant or office, to customers, to your community through newspaper ads, radio spots, posters, stickers, buttons, and reprints of a highly effective booklet. But nothing we can say will take the place of *your* independent energy and ingenuity.

Why not order your profit kit today and help spread the profit story?

fits

Here no art work only repro proofs



booklet

This 12-page booklet is a comprehensive explanation of how the profit system operates. Step by step, the booklet shows the profit system at work to get consumers the goods and services they want at low prices. Order as many copies as you can distribute.



print ads

These 6 ads provoke thought and discussion about the positive value of profits. Run them in your company publications and get space in your local newspapers to identify yourself with the message. Available as mats or repros.



radio spots

Get the message out beyond your own business and into your community by convincing local broadcasters to air these spots as public service messages. Or, buy airtime and identify yourself as a promoter of the profit system.



buttons

Wear and give away these buttons to get people thinking about profits as the key to future progress.



display stickers

Display these stickers on file cabinets or as bumper stickers to start an effective campaign in behalf of the profit system.



bulletins and payroll stuffers

Help solve the profit riddle by displaying this set of 6 thought provoking single-concept bulletins, and follow up with identical, individual messages in payroll checks or business mail.

Yes, I'd like to help spread the word about the real meaning of our profit system. Please send me your profit kit, which includes samples of all the items you have described. I understand the charge is $2.50.

Send to: Director of Promotion
Chamber of Commerce of the United States
1615 H Street N.W., Washington, D.C. 20006

Please rush your profit kit (2955), which costs $2.50
☐ Bill me ☐ Check enclosed
Checks payable to: Chamber of Commerce of the United States

Name _____

Organization _____

Address _____

City _____ State _____ Zip Code _____

Lessons of Leadership: Quentin Reynolds *continued*

Committee to Aid Farmworkers has charged that Safeways have mislabeled meats, charging customers for better cuts than they are getting. Would you comment?

These charges are just not true. We've taken all we're going to from this Interfaith Committee. When I learned of these latest charges, I instructed our general counsel to bring suit. Three days later my company filed a $150 million libel and slander suit against the Committee and the United Farm Workers Union.

I'm sure you are aware that last December the UFWU launched a national boycott against Safeway. The purpose is to force Safeway to take its side in the dispute between that union, the Teamsters and growers of iceberg lettuce. That is not our dispute and it would be wrong for us to take sides.

Safeway purchases iceberg lettuce produced by growers with Teamster contracts or with UFW contracts, or who are nonunion, depending on the product's quality, availability and price.

As part of the UFWU effort, the Interfaith Committee has filed a number of lawsuits falsely charging us with dishonest merchandising.

We have a reputation for fine meats. We didn't achieve it by using unethical tactics and we'd be stupid to jeopardize it by adopting such tactics now.

Safeway sales have about doubled since 1965 and you lead all other companies in your industry in total profits. What are your future sales and profits goals?

To improve each by not less than 10 per cent per year.

How important will your foreign operations be?

Last year, 17 per cent of our sales were in Canada and countries overseas, and I think that percentage will grow because opportunities for expansion are great.

We went overseas beginning in 1962—we're in the United Kingdom, West Germany and Australia. Consumer acceptance of our operations in all those areas has been gratifying. Sales increases amounted to about 50 per cent last year.

Were you the first to introduce the supermarket in those countries?

No, there were some supermarkets in all three. But most of the competition was composed of small stores. Consumer habits, by custom, required individual shopping with the greengrocer, the fruit store, the bakery, the butcher, the fish man. Our supermarkets, of course, offer all under one roof.

Do you plan to enter other countries?

Not at the moment. We don't want to spread any further until we can take care of the opportunities available in our present operating areas.

Have you ever been mistaken for the late, well-known journalist and author who had the same name?

Yes, it used to happen frequently.

Once, I had stepped up to a ticket area at the airport in Hololulu and somebody tapped me on the shoulder and said: "Mr. Reynolds."

I looked around and here were two or three photographers and a half dozen reporters. I said: "Yes, I'm Mr. Reynolds but I'm not *the* Quentin Reynolds."

"Oh." In about 10 seconds, they'd all disappeared.

I have many of his books. I never met the gentleman, but his brother, Jim Reynolds, who was under secretary of labor under Willard Wirtz, told me he was named for the book, "Quentin Durward."

Now, I think I have a more legitimate claim. I was born across the San Francisco Bay near San Quentin prison. My father was a guard there, and my mother was born in the little town of San Quentin outside the prison's gates—her father was a guard, too. So that's how I came to be named Quentin.

My mother loved that name. San Quentin was named after an Indian, Chief Quentin.

How did you happen to start with Safeway?

O.P. Skaggs, one of five brothers of the man who started the predecessor of the Safeway organization, and who later joined him in it, was visiting at my house one Sunday when I was a boy. He and his wife were friends of my parents.

At the time, I was working after school and on Saturdays at a market in downtown Oakland. The Skaggs organization had six or eight stores in the Bay area then, and Mr. Skaggs asked me if I'd like to work for it.

That was 50 years ago. I worked after school for Skaggs Cash and Carry Stores for the balance of my high school career.

Then I stayed out of school for about a year in order to get a little money to go to college—my parents died about that time. I went to St. Mary's College, in this area, for two years and while there decided that the grocery business was my career. I wanted to be a part of it.

During college, I continued to work after school and on Saturdays. In 1927, when I left college, I was made a store manager and I've come along since.

Have you ever worked outside the Bay area?

No. I think I've been fortunate to have been privileged to work in this great area for my entire career; and fortunate, too, in being close to the company's home office. However, I suppose if I'd had the opportunity to work, say, in Butte, Mont., or in Denver, Little Rock or El Paso, I'd have benefited from that experience.

Are there particularly dramatic moments in running Safeway when important successes or failures ride on quick decisions?

Oh, I suppose we have them somewhat frequently, particularly in labor negotiations. We probably have more union contracts than any other organization in the country, perhaps in the world—some 1,300 that have to be negotiated periodically.

So we're in constant negotiation on contracts, and there are critical times when you have to make a decision in a hurry.

You've moved into a city apartment from a suburban home. Why?

Particularly to save time traveling back and forth.

We used to live in Walnut Creek, about 25 miles from San Francisco. I was working in San Francisco and spending as much as three hours a day commuting. That takes a lot out

of a person, and I figured life was too short to spend that kind of time on the road. So my wife and I agreed we should move to San Francisco—our children had all left the nest, anyway.

Of course, after we moved over there, the company shifted me to an administrative position here in Oakland. But my apartment is only about 20 minutes from this office, because I'm driving against the heavy traffic both ways on the Bay Bridge.

What do you do in your spare time?

We have a house in Marin County where we enjoy spending weekends. It's quiet and we're right on the ocean beach.

Sometimes I take my briefcase over there, but most often I don't. I like to putter around the yard with the plants and flowers. Also, I do some rock polishing—I collect agates off the beach and other types of rocks wherever I can get them on my travels. I also collect shells; there's not a very good selection on the beaches here but I collect them, too, when I travel.

And I like golf, though I don't play as much as I should. Baseball and football are my favorite sports as a spectator.

Who does the grocery shopping in your family?

My wife.

Do you second-guess her?

I sure do. Especially if she brings home a brand of merchandise that isn't Safeway's. If she does, she tells me: "Well, it was unavailable in your brand. I had to pick this." She tries to explain before I spot the item.

Does she shop at your competitors?

No. She's quite happy with Safeway. END

REPRINTS *of "Lessons of Leadership: Part XCVII—Quentin Reynolds of Safeway Stores" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance.*



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6-73

Patents for a Brighter Future

A 183-year-old system that protects the American inventor is playing an important part in our progress today—as it has in the past

For Carbon Petroleum Dubbs—his father, Jesse, was an inventor who was proud of patenting a process for making asphalt from oil—it was a red-letter day.

C.P., as he preferred to be called, was an inventor, too.

He had hit on an idea perhaps even more useful—a way to permit continuous cracking of heavy oils to make gasoline.

Up to then, 1919, this had to be done batch by batch. When the oil was refined, heavy coke deposits gummed up the works. So the refinery had to be shut down and cleaned.

That was one reason gasoline wasn't too plentiful. And if the nation was going to drive around in Henry Ford's Tin Lizzies, a lot of gas was a must.

This day, July 10, was the start of a test for C.P.'s thermal cracking process.

His employer, Universal Oil Products Co., had built a pilot plant on a two-acre field in Independence, Kans. Now, observers representing 14 refineries and two refiners' associations were to watch it run.

It did so without a hitch.

The plant was watched 24 hours a day, for 10 days. Then it was shut



Up until 1870, U.S. inventors had to submit working models of their brainchildren—that's why the Patent Office has models of early inventions like these. Clockwise, starting bottom left: A paddle wheel, a clothes dryer, a rug weaver, an engine governor, a paper-collar maker, a device for removing cherries' pits—and Thomas Edison's model of his electric lamp. (Partly shown, upper right: A thermostatic fire alarm.) They were put on display especially for this photo.

down and its heating tubes checked. They were coke-free.

What did it mean to America? A surefire way to get gasoline—and make the world safe for the horseless carriage.

What did it mean to C.P.? He took out a patent.

Both Dubbses, father and son, are among the countless, unsung geniuses that the patent system was designed to reward when it was created in 1790.

"It seems to work," says Commissioner of Patents Robert Gottschalk. "The number of patents applied for goes up steadily. In 1962, 85,265 were filed by inventors. Last year, the total was 103,122."

Two out of every three applications result in a patent issued by the Commerce Department's Patent Office, which Mr. Gottschalk heads. Not all, of course, result in commercial products.

Compound E rewards effort

The patent system helps heal as well as fuel.

In the 1930s, Dr. Edward C. Kendall, a Mayo Clinic biochemist, was isolating certain mysterious products of man's adrenal cortex.

It seemed that a rather rare malady, Addison's disease, occurred when the adrenal cortex was destroyed—usually by TB. If he could discover what the adrenal cortex supplied the body, perhaps medical science could find out why its absence caused Addison's disease.

The job wouldn't be easy. The adrenal cortex, a yellowish outer layer of the adrenal glands, churned out a variety of steroid chemical compounds.

Dr. Kendall was able to identify six of them, which he labeled compounds A through F.

This was progress, but to find out what the steroid chemical compounds did, and if they had therapeutic value, he would have to make them synthetically in some quantities.

That took more funds than Mayo Clinic could sink into the venture. So he asked Merck & Co. if it could help. Merck agreed to bankroll the quest.

Of all the steroids, compound E seemed the best therapeutic bet. In 1944, a Merck chemist, Lewis H. Sarett, succeeded in synthesizing it—though the process was slow and costly.

Four years of hard work enabled Dr. Kendall and Merck researchers to make a half-gram batch of compound E—about as much as the weight of a good deep breath.

After this initial success, there was a trickle of the miracle product through the Merck labs.

On a hunch, a Mayo Clinic physician tried it on a patient suffering from rheumatoid arthritis.

The rest is medical history.

Compound E, better known as cortisone, has proved capable of restoring to productive life about a million Americans who would otherwise be hopeless cripples from rheumatoid arthritis.

It is also useful in treating more than 50 other diseases—including a dozen, such as Addison's disease, that are potentially fatal.

Dr. Kendall's and other scientists' reward—a Nobel prize, among other honors.

Merck's reward: a patent.

Painting around corners

Behind every successful man, some say, is a nagging wife. That, of course, is merely a bad joke. But behind many a successful business does lie the patent system.

"Our corporation," says Merrill N. Johnson, vice president and general counsel, Ransburg Corp., "was founded on the protection afforded by the U.S. and foreign patent laws."

The Indianapolis firm makes electrostatic painting equipment, which paints around corners and inside openings—and uses about 30 to 50 per cent less paint than conventional methods.

Its inventor is Harold P. Ransburg, who dropped out of DePauw University in the 1930s to work in his father's kitchenware firm and help it survive the Depression.

His first job was one he quickly learned to hate—spray painting cookie jars.

It was slow, sloppy and wasteful. Sometimes, it seemed, he got as much paint on him as on the cookie jars.

There had to be a better way, he thought—as who hasn't, when faced with a distasteful chore.

He recalled how fly ash is precipitated in power plant smokestacks by static electricity. The smoke passes between an electrostatic grill where the solid particles become charged and attracted to the metal—instead of flying out the stack.

If you can do that to fly ash, he thought, why not to paint?

He began to experiment in an unheated lab, with a used, $35 disk-rectifying X ray machine. Within a year, the problem was solved.

Mr. Ransburg came up with a gadget that put a negative charge on the paint particles as they sprayed out the nozzle. The paint flew to the object being painted as if drawn by a magnet.

In 1939, he applied for his first patent. He got it in 1941, just in time for World War II. Its first commercial use was to coat bazookas, ammunition containers and other war materials.

Now it's used widely—for example, by auto makers and appliance manufacturers. Not only in the United States, but all over the world.

Helping the little guy

Today, 21 per cent of American patents go to individual inventors.

"That percentage hasn't changed much over the years," says Patent Commissioner Gottschalk. "Ten years ago, it was maybe 26 per cent."

About 3 per cent of patents go to the government and to academic institutions.

"And 76 per cent go to industry," Mr. Gottschalk adds, "about half of them to smaller businesses."

Even the patents that are granted

Patents for a Brighter Future *continued*

to the giants of our corporate world often help the little guy.

In 1955, Monsanto Co. launched a research project that resulted, four years and $500,000 later, in a new product, Nylon 6. It was a tough, heavy-duty, highly abrasion-resistant nylon.

Unfortunately, it didn't fit into Monsanto's marketing plans. It was useful only for special applications in small specialty markets. The giant St. Louis firm felt it wouldn't be wise to get into them.

Then along came William P. Cole, president of tiny Polymer Corp., Reading, Pa.

Mr. Cole's company specialized in the use of nylon as a plastic.

It's basically the same nylon you find in panty-hose, he recently told a Senate subcommittee. "But it also happens to be one of the toughest and most abrasion-resistant of all plastics.

"At Polymer we made mill-shaped rods and plates of nylon which could be sold to machine shops and machined just the way brass or iron or aluminum is machined to make parts."

Technology was vital to the company's growth.

"But the chemistry of nylon is so complex," Mr. Cole explained, "that no one can afford to do broad scale, deep research in this field except very large companies which are selling hundreds of millions of dollars worth of nylon fibers."

So he found a shortcut.

"We discovered," he said, "that we could obtain from the large companies the right to use their technology in our industrial production line, provided they were not required to grant licenses to us to compete with them in the textile field."

In 1959, Polymer made a deal with Monsanto for a limited license like this for use of Nylon 6.

"With that license," he said, "we were able to establish a business with sales of several millions of dollars, with several hundred employees in the United States." (In 1959, Polymer's sales were $7 million; in 1970, they were $25 million.)

Monsanto, in turn, got back something on its investment in research.

Mr. Cole was testifying in favor of permitting the holder of a patent to license its use in one field—but not all. This can be of immense value to smaller firms which cannot afford the immense sums that research sometimes requires, he pointed out.

The so-called "field of use" licensing practice is one of those that have suffered, some say, from adverse court decisions and antitrust activities of the Justice Department.

"The Supreme Court has led the way," charges Prof. James B. Gambrell, New York University School of Law, "by drawing the following doubly defective syllogism:

"1. All monopolies are odious and in derogation of the public interest.

"2. Patents are . . . monopolies.

"3. Therefore all patents are odious and in derogation of the public interest.

"This syllogism is fatally flawed, since Congress, as an exercise of its legislative function, has seen fit to provide for the granting of patents to encourage the making of inventions."

Merck & Co. points out another virtue of patents, perhaps overlooked by the public, but not by inventors.

Company economist James W. Riley, in a recent issue of *The Merck Review*, notes that to get a patent you must make a public disclosure of what your discovery is.

Public disclosure, he says, suggests an important benefit to the consumer.

"There is no need for anyone else to do again the research already performed," he explains. "No . . . wasteful repetition.

"Possibly more important, published research often suggests areas for even more invention. The first patents in radio, or pharmaceuticals, or house trailers didn't discourage inventors; they stimulated thousands of curious people into action."

Patent Commissioner Gottschalk strikes a similar note when he says: "The patent system is more important today than at any other time in our country's history, in order to meet the challenges of today in finding solutions to problems like pollution and energy." END

Notable Numbers

U.S. patents began to be numbered in 1836 (more than 10,000, including patents for Eli Whitney's cotton gin and Cyrus McCormick's reaper, were issued unnumbered before that year). Some notable numbers:

No. 1,647 to Samuel F.B. Morse for "Telegraph Signs," 1840.

No. 3,633 to Charles Goodyear for a process to vulcanize rubber, 1842.

No. 79,265 to Christopher L. Sholes and others for "Typewriter," 1868.

No. 141,072 to Louis Pasteur for "Improvements in the Manufacture and Preservation of Beer," 1873.

No. 174,465 to Alexander Graham Bell for the telephone, 1876.

No. 200,521 to Thomas A. Edison for a "Phonograph or Speaking Machine," 1878.

No. 223,898 also to Thomas A. Edison for "An Electric Lamp for Giving Light by Incandescence," 1880. In all, Edison was granted 1,093 patents.

No. 540,648 to C.E. Duryea for the first successful horseless carriage, 1895.

No. 586,193 to Guglielmo Marconi for "Wireless Telegraphy," 1897.

No. 821,393 to Orville and Wilbur Wright for "New and Useful Improvements in Flying Machines," 1906.

No. 2,569,347 to William Shockley (Bell Labs) for the transistor, 1951.

No. 2,708,656 to Enrico Fermi and associates for the first nuclear reactor, 1955 (application filed in 1944).

No. 3,120,606 to J. Presper Eckert and John W. Mauchly for the electronic digital computer, 1964 (application filed in 1946).

Is It True What They Say About Social Security?

It's common knowledge, of course, that those payroll taxes are getting larger—but one authority thinks they'll grow even more than Congress expects

Most employees think exclusively of personal income taxes when they receive their W-2 forms early each year.

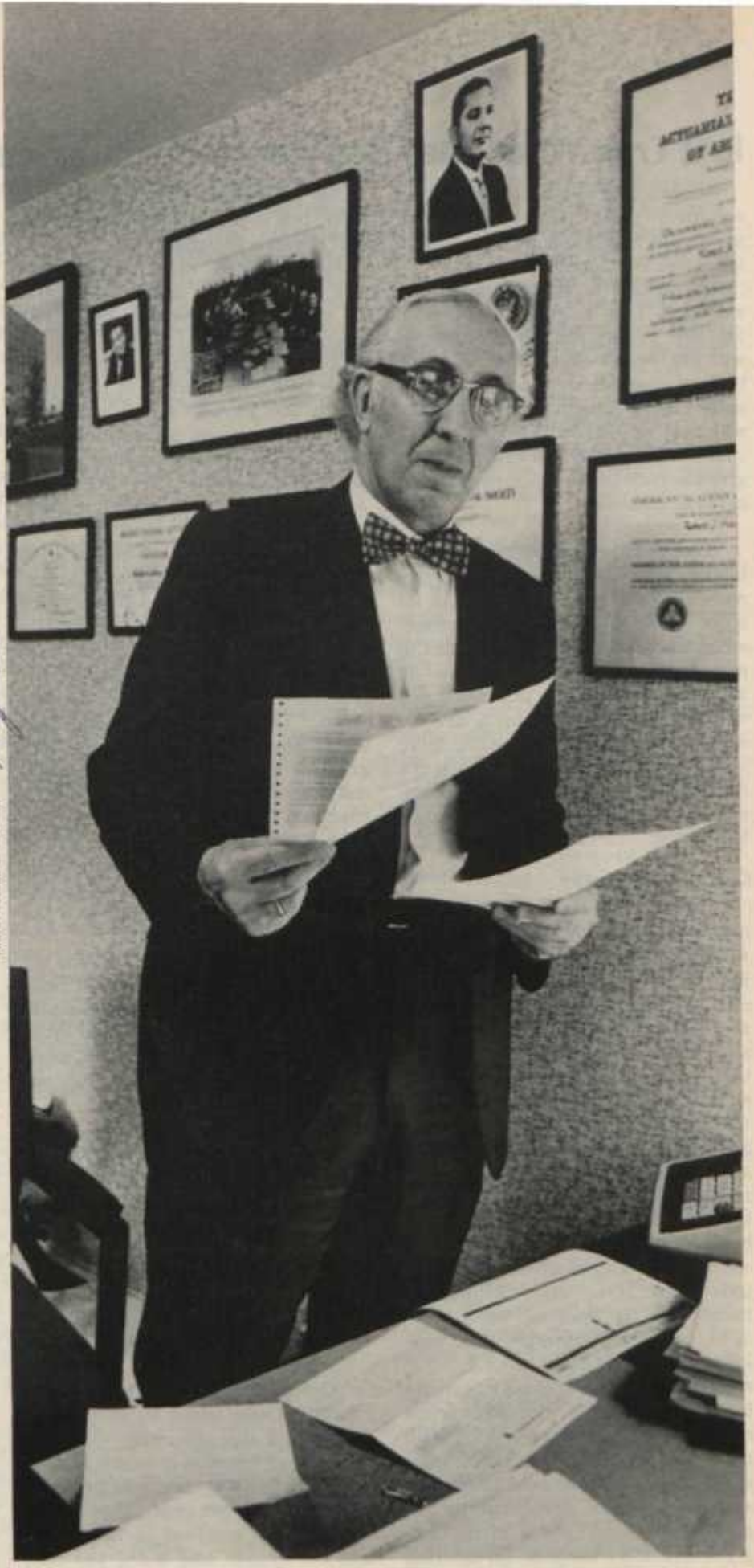
Relatively few pay much attention to an entry labeled F.I.C.A. that appears on the form with the listing of wages and of taxes withheld.

The initials stand for Federal Insurance Contributions Act and they are there with figures showing the amount deducted from paychecks to finance the program of retirement, survivors, disability and medical insurance known collectively as Social Security.

Businessmen worried about continually rising payroll taxes should try to direct more attention to that deduction, says one of the nation's leading experts on the Social Security system.

He's Dr. Robert J. Myers, for 23 years the system's chief actuary. Retired from the government, Dr. Myers teaches a course on Social Security at Temple University, lectures elsewhere on Social Security and writes about it. He is a leading opponent of what he calls demands by "expansionists" who want to broaden the program regardless of cost or fiscal stability [see "Runaway Expansion of Social Security?" in NATION'S BUSINESS, March, 1970].

PHOTO: ROLAND L. FREEMAN



It's time for businessmen to begin communicating with employees about Social Security costs, declares Dr. Robert J. Myers, long the chief actuary for the retirement system, and now a teacher, writer and lecturer.

Is It True What They Say About Social Security? *continued*

Perhaps, Dr. Myers suggests, an employer could pass out a folder about the Social Security deduction when the W-2 forms are issued.

The folder, he says, could tell the worker: "You should realize what you are paying for now, what you will get out of it, and how much higher your deductions will be if some people expand the program the way they would like to."

Dr. Myers says the folder should give the facts in straightforward, educational fashion.

He comments:

"People have a good floor of protection now. Do they want to pay more into the system and have a lot more come from the government when they retire, or do they want to use that money in other ways—to meet current needs, to put into a private pension, to build up a savings account? People should realize there is a choice here, and they can make that choice known to those in Congress who pass on Social Security legislation."

Causes for worry

In an interview, Dr. Myers also makes these points:

- Official assumptions that the tax rate for the cash benefits part of Social Security will remain stable for the rest of this century are based on estimates of productivity increases that probably won't materialize.
- The country's demographic makeup points to a major surge in Social Security benefit payments and taxes around the year 2010 and, while that might sound way off in the dim future, it's not too early for business to begin thinking about it. "The people who are going to be affected are here today," Dr. Myers says. "Millions of them will be drawing benefits in 2010; millions of others will be paying the taxes to finance them."
- Efforts to finance Social Security in part or in whole with general tax revenues, rather than solely with payroll taxes as it is financed now, will intensify. A national health insurance program advocated by organized labor and many of its Congressional allies could be an entering wedge for partially financing Social Security from general revenues, Dr. Myers says.

As programed by Congress last year, this is the existing plan for Social Security financing:

Beginning in 1975, benefits will rise automatically each time there is an increase of 3 per cent or more a year in the Cost of Living Index.

To finance such increases, the wage base—the amount of income to which the payroll tax is applied—will go up enough, automatically, to bring in the revenue needed to pay the higher benefits. (The tax now is applied up to $10,800 and that figure will be $12,000 next year.)

The tax rate applied to the wage base determines the annual payment by the employee, which must be matched by the employer. That rate now is 4.85 per cent for the cash benefits program—payments to the retired, their survivors and the disabled. The health insurance tax, which finances the Medicare program, is 1 per cent, for a total payroll tax of 5.85 per cent, which is supposed to stand through 1977.

In 1978, the cash benefits tax is due to drop to 4.80 per cent, while the health insurance rate goes to 1.25 per cent, for a new total of 6.05 per cent.

The 4.80 per cent cash benefits tax rate is then expected to stand until the year 2010. Meanwhile, the health insurance tax rate is due to go up in stages to 1.45 per cent in 1997, when the combined rate will be 6.25 per cent.

Can a businessman really expect that the cash benefits rate will remain the same from 1978 to 2010? If it doesn't, then his Social Security costs will be going up even faster than anticipated under the automatic increases in the wage base and the rising health insurance tax rates.

A wayward assumption?

Dr. Myers comments:

"The cost estimates in the 1972 legislation were based on an assumption that I disagree with—a 5 per cent annual increase in wages subject to Social Security tax, and price increases of 2¾ per cent. That means a 5 per cent increase in taxes paid into the system and a 2¾ per cent increase in benefits. While the law says benefits will be increased if the cost of living goes up 3 per cent in any base period, the 2¾ per cent would be in the nature of an average.

"The difference of 2¼ per cent between income and outgo is not profit to the system because the people paying the higher taxes eventually will get higher benefits as retirees. But that liability won't come due for many years, so you are always running ahead of yourself, and this enables you to show a level tax rate.

"My disagreement is based on the nature of that 2¼ per cent surplus. This figure represents, in essence, an assumption of how much productivity will increase in this country every year.

"Now, I don't believe that past trends on increases in productivity are going to continue, for these reasons:

"1. The environmental movement. If we are going to have clean earth, clean air, clean water, we will have to spend lots more money to produce the same product. The paper manufacturer who spends large amounts for treatment facilities is not going to increase his productivity with that investment. If a firm operates trucks, and if gasoline exhausts are going to have to be purified and engines are going to be changed and maybe not run as well, and use more gasoline, it will cost a lot more to run those trucks. But the firm's productivity is not going to increase.

"2. The trend toward services. Our economy is moving more and more into service industries where productivity can't be increased as rapidly as it can on a manufacturing line.

"3. Changing life styles. A lot of people are now saying that the goal in life is not to produce scads and scads of material things. From different extremes you hear that we want to take life easy, we don't want to work so hard, we don't like production lines.

"4. Rapid consumption of our natural resources.

"All these things will cut down on productivity, so the assumption of the 2¼ per cent increase is not realistic over a long period. We might get it over a few years, we might not.

"But in the long run, the estimate is too high.

"We could get to the point where wages and prices are going up at the same rate. It is even possible that

prices will rise faster than wages—if prices go up 8 per cent, labor becomes unhappy and says it needs a 10 per cent pay increase; and then if it gets that, prices go up 12 per cent.

"So if the surplus of income over outgo gets smaller or is nonexistent, or the payments go into deficit, prices will be climbing faster than expected in the legislation. And that in turn will lead to cost-of-living increases in benefits, which could not be financed solely by raising the wage base.

"This will mean only one thing—a higher tax rate."

Our changing population

On another key aspect of Social Security, population trends, Dr. Myers has this to say:

"The United States will have a rather peculiar demographic situation over the next 40 years, as far as the aged population is concerned.

"For the next 20 years, the number of aged will grow very sharply and, at the same time, the number of workers will be growing rapidly, too, as people born during the high birthrate years of the 1950s and '60s enter the work force. Where Social Security costs are concerned, those elements are going to counteract each other—an increasing number of aged to receive benefits and an increasing number of workers to pay for them.

"In the following two decades, the picture will be somewhat different. During the late 1990s and early 2000s, those born in the low birthrate years of the Depression will be reaching 65 and, because there is a relatively small number of them, the total aged population will level off. And the work force will still be expanding.

"But the big change will come around 2010. We can talk with some certainty about it because people who are going to be 65 then are already here and, barring something like an atomic war, you can project population pretty well.

"Those born in the baby boom that started immediately after World War II and continued for many years will start reaching 65. Given our present rate of zero population growth, there will be fewer workers to pay the taxes to pay the benefits to that increased number of retired people. So at that point, costs are going to jump very sharply."

A siren song

On the issue of partially financing Social Security with general revenues, Dr. Myers is vehement.

"This is the worst thing that could befall the system if you want to keep it moderate," he says.

"The idea of using general tax revenues to help pay Social Security benefits is getting increased attention because the Social Security tax is beginning to pinch [the maximum payment, $468 last year and $632 this year, goes to $702 next year] and people are beginning to complain about it.

"There is, however, a siren song aspect to the general fund idea.

"With taxes going up, the expansionists who are constantly seeking new ways to extend the system regardless of cost factors say:

" 'Ah, there is an easy way out and it could satisfy everybody. We just take it from general revenues. The younger worker won't be paying so much and he'll be getting a much better buy on retirement benefits. Older workers won't have their contributions raised as much as they would without the general revenue help. The employer would pay less in payroll taxes. This is a virtually painless way to do it.'

"There's one catch here that they don't mention—who's paying the general taxes? The government would go back to the same people who were supposedly getting a break on payroll taxes. Some studies have shown that, except for those at the very bottom and very top of the income scale, most people pay generally the same proportion of income in taxes.

"The danger of general revenue funding is in making it look as if somebody else is paying for higher Social Security benefits. That could make it easier for the overexpand-the-system people to get what they want.

"If, as a lot of expansionists recommend, the system were financed by one-third contributions each from employer, employee and general revenues, it would be easy for employees to say:

'Look at all this money we're going to get in benefits, and we're only paying a third of the cost. Let's have more benefits.'

"Another danger would be the tendency of a rapidly expanding system to induce people to cut down on private pension plans, personal savings and other forms of individual security." END

Joyless Jump

Higher Social Security taxes were a significant factor in a jump in employer costs during the first quarter of this year, government figures show.

Average man-hour compensation rose at an 11.7 per cent annual rate—as against 6.2 per cent for the previous year. The Bureau of Labor Statistics estimates employers' Social Security costs rose approximately 3.5 per cent during the quarter—or almost 30 per cent of the overall increase.

On Jan. 1, the Social Security tax rate went from 5.20 per cent to 5.85 per cent and the maximum wage to which the rate is applied rose from $9,000 to $10,800.

As a result, the employer's maximum Social Security tax per employee went from $468 last year to $632 this year.

日本

Making Trade With Tokyo a Two-Way Street

The Japanese are taking steps in response to complaints about roadblocks confronting our exports; other steps may be needed, they say, but one thing's for sure—U.S. businessmen could try harder

TOKYO—"The Japanese!" he explodes.

He sets his Scotch and soda on the fold-down tray in the airliner jetting from Washington to San Francisco.

"We really ought to crack down on them.

"They come over here to pick up our technology, take it back home, work it into their own products—then sell them here for less than we can make them.

"Then, when we try to sell something there, we run into all kinds of obstacles. They're getting away with murder. We should put a stop to it—now."

The speaker is a well-dressed executive with a West Coast computer time-sharing firm.

He's not alone. Other U.S. businessmen also complain about discrimination by this nation's No. 1 overseas trading partner.

Red tape, exchange controls, customs delays, hassles to obtain visas, anger them.

"American business in Japan," says William H. Dizer, general manager, Du Pont Far East, Inc., "has not had the flexibility—under Japanese

CALLIGRAPHY: REIKO HIRATSUKA MOORE
ILLUSTRATION: KRYSTYNA KOWCHESON



laws and in practice—to compete as freely as Japanese firms do in America.

"We haven't had true reciprocity."

"My company's in the catbird seat," says William H. Kyle Jr., vice president, Pickands Mather & Co. International, in his Tokyo office.

"We help supply Japan with something she absolutely has to have—iron ore. So we have no problems, and I have no complaints. But speaking as president of the American Chamber of Commerce in Japan, I can tell you that other businessmen have theirs."

All the complaints might not amount to too much—except for one thing.

Year after year, Japan bought more from the United States than her businessmen sold in the U.S. Then, a few years ago, the tide turned dramatically. In 1970, Japan sold $1.2 billion more to us than we sold to the Japanese. In 1971, the gap widened to $3.2 billion. Last year, it was $4.1 billion.

True, the United States was also in the red with all her major trading partners. With West Germany, according to the U.S. Department of Commerce, our deficit last year was $1.4 billion. With Canada, it was $2.6 billion.

We had trade problems with the Germans and Canada.

With Japan, we had a trade crisis.

Could it be solved? And if so, how?

Japan, on her own, has taken a number of steps to do so recently.

She has made it easier for Americans to sell here by unilaterally slashing tariffs 20 per cent. In addition, her businessmen have voluntarily imposed ceilings on how much of certain products—such as autos—they will sell in the U.S.

As of May 1, Tokyo lifted most—but not all—of its restrictions on foreign investments in Japan. Among other things, a U.S. company can now set up a wholly-owned subsidiary there. In the past, a Japanese partner was almost always a must.

Both countries have acted to change the value of the dollar versus the yen. In 1971, under pressure from Washington, Tokyo agreed that henceforth a $1 bill would be worth about 300 yen—not 360. Last year, the ratio was changed again. Now a $1 bill will get you only about 260 yen.

In short, the U.S. dollar is now worth roughly 65 cents in Japan, compared to its value in 1970.

Experts say this should give our goods a big competitive edge. They should cost less in Japan—while Japanese goods cost more in the U.S.

Will all this rejiggering cure our No. 1 trade headache?

Or will friction over trade continue and poison relations between two pillars of the free world—one the leader of the West, the other the dominant Asiatic commercial power?

They have complaints, too

In some ways, the problem is misstated.

"Trade imbalances should really be discussed on a multilateral basis," says Kiyohiko Tsurumi, Japan's deputy vice minister for foreign affairs. "Japanese businessmen run into discriminatory quotas against their goods in Europe, for example."

On this issue, former Secretary of the Treasury John B. Connally is evidently in the same corner. Speaking recently in New York, he said:



Making Trade With Tokyo a Two-Way Street *continued*

"Somehow, in spite of all its international commitments to trade, it is significant that France literally embargoes imports from Japan in 78 of its 120 industrial classifications—a complete embargo. That limits trade between the two nations to less than $500 million. If that was all the trade we had between the U.S. and Japan we would be in pretty good shape, too."

And in other ways, the problem may be overstated.

Both Japanese and American businessmen in Tokyo feel, for example, that upward revaluation of the yen—and our cheapening of the dollar—will have no immediate impact on U.S.-Japanese trade.

"Revaluation of the yen will have a gradual effect," says Yoshizane Iwasa, board chairman of The Fuji Bank in Tokyo. "Its full impact won't be felt for two or three years. But by the end of 1973, it should have a substantial influence."

It may even be working already.

"In January of this year," says Mr. Tsurumi, "your Commerce Department figures show, the trade imbalance was about $250 million in our favor. For February, our Customs Bureau's statistics indicate that the balance was down to $150 million. Last year, it averaged $340 million a month in our favor."

In March, U.S. Commerce Department figures show, the balance was only $91 million in favor of Japan. In April, it was $78 million.

Paging Yankee ingenuity

But in the long run, Americans must depend more on themselves to survive in a competitive world. At least, so some overseas U.S. executives believe.

The American board chairman of a big U.S.-Japanese firm headquartered here puts it like this:

"Wait till the realization hits the broad populace that by 1985 we will have an annual oil import bill of about $35 billion alone. Somebody is going to wake up and say: 'Look, we're going to have to go out and export to pay for this bill.'

"Then we'll roll up our sleeves and get on with the job.

"The Japanese, with no resources of their own, came to this realization generations ago."

Yanks could sell a lot more in Japan than they do, both Japanese and U.S. businessmen in Tokyo believe.

American and European businessmen operate under the same rules in selling to Japan or investing there, they point out.

Yet, in the last 10 years for which figures are available, Europeans have been winning a bigger share of the Japanese import market. And Americans have been getting a smaller and smaller share.

In short, operating in the same ball park, the Europeans are scoring more runs.

Says Mr. Dizer: "This is a dynamic market of 100 million people. Their tastes are as sophisticated as those of any people in the world. We see a continuing opportunity for all products in which our technology competes."

But, as Mr. Kyle puts it: "Many American firms aren't interested—or don't really try."

That argument can be documented.

Recently, the International Marketing Committee of the Sales Executives Club of New York held a breakfast meeting. The topic: How to sell to the U.S.S.R.

The chairman, Martin Cody of Phelps Dodge Corp., was tickled pink at the turnout. It was nearly standing room only.

"A month ago," he says, "we had a breakfast meeting like this on selling to Japan. Only one third as many showed up."

Yet, American sales to Japan are $6 billion a year—and climbing.

By contrast, our sales to the Soviets, at least so far, are a drop in the bucket.

The Commerce Department's Bureau of International Commerce in Washington keeps a close tab on U.S.-U.S.S.R. trade.

In 1969, its statistics show, our exports to the Soviet Union were $106 million; in 1970, $118 million; in 1971, $161 million.

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Last year, they were $547 million. But a BIC official points out that "nearly $400 million of the total were foodstuffs and live animals. When the Soviets have a disastrous crop failure, they'll always be glad to snatch up as much wheat, corn or soybeans as they can buy."

It's ignorance, not inertia, that leads some American marketers to ignore Japan, one U.S. executive in Tokyo claims.

"They lack the know-how," he says, "not desire.

"Furthermore, they don't have what Japanese companies have. Namely, big, gung-ho trading firms to push their products for them."

A spurned helping hand

But Japanese trading firms, lately, have extended a helping hand.

Mitsubishi Corp., the No. 1 Japanese trading firm, has been beating the bushes for potential U.S. exporters to Japan.

Recently, it combed through trade lists and found about 5,000 American companies which looked like hot prospects. It sent letters to all, describing the market and offering to help them sell here.

The results wouldn't send any Mitsubishi men running to the nearest bar to buy a round of *sake* for the house.

"We got about 100 replies," says Hiroyasu Sakamaki, a high-ranking Tokyo executive of Mitsubishi. "About 50 were worth following up. Maybe three will result in actual sales."

Mitsui & Co., U.S.A., thought it had a sure winner. But it struck out, too.

Its Chicago office found a Midwest manufacturer with a line of unique kitchen appliances. They would sell in Japan, it was sure, like *sukiyaki*. The firm was small, with annual sales of about $5 million. Presumably, it wouldn't balk at a little extra business.

So Ken Adachi, director of Mitsui's Chicago office, approached the owner.

There was a substantial market for the firm's products in Japan, he said, if they were made a little smaller—because Japanese kitchens aren't as roomy as those in America.

The owner said he'd have to expand his plant to do that. And, he said, it would cost plenty—about a million dollars.

No problem, Mr. Adachi told him. Mitsui would lend him the money on the most favorable commercial terms.

The owner thought over the tempting offer, then declined.

He had a good market in the U.S., and he was satisfied with the business he was doing, he said. He mentioned that the way things were, he was able to find time to enjoy himself—to take a vacation, go to Florida, play golf.

"You can't quarrel with that philosophy," Mr. Adachi says, "but it sure plays heck with an export drive."

How did Japan get in this fix—an international whipping boy because it did well at what all industrial nations try to do: Namely, increase the GNP and improve living standards?

"I think the Japanese are surprised, themselves," declares Charles W. Swift, general manager, Asia-Pacific area, IBM World Trade Asia Corp.

"They find themselves in a position they really didn't foresee, at least for some time—playing a very central role in the total international world of trade.

"They're trying to understand, I guess, first of all, how they got into this position—and they're now striving to find a solution."

Japan's remarkable success—its economic miracle—shouldn't be a surprise, Thomas Hout, of The Boston Consulting Group, told a recent conference in Washington.

The Japanese, he said, have "an explicit and coherent national economic policy. Across a wide range of policy variables—resource allocation, trade, industrial structure, research and development, taxes—Japan has systematically acted to promote rapid economic growth and, hence, rapid increase in per capita income."

By contrast, he added, the United States hasn't.

Success for Nippon may be a bitter pill—if it leads to an eyeball confrontation with America.

"Japan can't live without good relations with the United States," says Deputy Vice Minister Tsurumi.

Says another Japanese government official, who shares that view:

"The Japanese are very conscious of their need for world trade. The country has no natural resources at all. No iron ore, no coal, no copper, no tin, not a drop of oil—and not enough food to support its population.

"Our exports, compared to our GNP, are much smaller than those of many European nations. But we must export to pay for our necessities.

"Many Americans feel they can build an autarchic economy—in which they can take care of themselves and tell the rest of the world to stay out. In the Common Market, many Europeans seem to feel the same way.

"All Japanese understand we can't do that. It's impossible for us.

"I recall the '30s when many Japanese began to feel boxed in. A world recession was on and international trade was one of its first victims.

"Japanese believed, rightly or wrongly, that other powers had tried to build a perimeter around her markets to keep them from growing. That helped bring on a climate of hysteria, and the kind of unwise decisions that are made in that state of mind."

A country boy act?

This kind of apocalyptic talk doesn't set well with some Americans.

"The Japanese poor-mouth too much," says one businessman whose firm has had extensive dealings with them.

"They put on that little country boy act. But don't be taken in. When they apologize for weakness, they apologize from strength. So don't give them any points for that."

An American executive in Tokyo, who has spent many years in Japan, sees U.S.-Japanese relations a little differently.

"The one thing that concerns me is that we might let this thing get out of hand," he says.

"It seems to me we have arrived at the classic position where our side is saying: 'You do this,' and the other side is saying: 'You do that,' instead of both sides sitting down and saying: 'Look, I think we both ought to do this.'" —JOHN COSTELLO

Cross Fire at the International Trade Crossroads

BY REP. PETER FRELINGHUYSEN (R.-N.J.)

Will the hassle over Presidential powers obscure the need for new foreign economic policy?



Congress is caught in a cross fire of emotion and pressures as it begins consideration of President Nixon's Trade Reform Act of 1973.

It is a significant moment; what Congress does will determine America's foreign economic policy for years to come.

While the President's legislative package represents an entirely new approach to foreign trade, it is ironic that some of the most formidable obstacles to be overcome have nothing to do with quotas or tariffs, or even the fear that we are "exporting our jobs abroad."

At the core of the package is the President's request for a very considerable amount of authority in American trade policy during the years ahead. It is this issue that particularly concerns Congress. Unfortunately, the President is seeking a broad delegation of powers in the trade field at a time when controversy between the Legislative and Executive branches over the question of authority has erupted on many fronts, from the impoundment of funds to the Watergate affair.

President Nixon is asking unlimited authority for five years to raise, lower or eliminate tariff duties on imports. In certain areas of nontariff barriers, such as product standards, customs valuation and marketing requirements, he is seeking advance negotiating authority.

There are also provisions for a new, more rapid procedure in which domestic industries damaged by rapidly rising imports could get relief—and the President would decide if, and under what circumstances, relief should be granted.

The President requests the power to impose import restrictions in times of serious international financial deficits, and to lower them when the U.S. has payments surpluses. He asks authority to reduce U.S. import barriers whenever this would help combat domestic inflation.

There would also be authority to suspend duties for 10 years on imports of manufactured goods from de-

REP. FRELINGHUYSEN, *second-ranking minority member of the House Foreign Affairs Committee, is chairman of the Task Force on International Economic Policy of the House Republican Conference.*

veloping nations, as well as to extend most-favored-nation tariff treatment to the Soviet Union, China and other communist countries.

Thus, at a time when Congress is embroiled in arguments over what many members perceive to be an unwarranted diminution of Congressional authority in various areas, the President is asking Congress to voluntarily give him even more power in foreign affairs and economic policy.

The Administration's bill does make an effort to ease Congressional fears by including an "optional veto procedure," whereby either the House or Senate could block implementation of any negotiated trade agreement. There would be a similar provision with respect to the most-favored-nation authority, to mollify those concerned about relaxing restrictions on trade with the Soviet Union at a time when the Soviets have been taxing educated Jews wishing to emigrate to Israel.

But many members, especially those traditionally supported strongly by organized labor, may be more critical of the President's requests than would normally be the case. They may seek to take advantage of recent changes in the House rules to offer protectionist amendments, or amendments which would severely restrict the President's authority.

Not open and shut

This could be manifested when the trade bill is reported out by the House Ways and Means Committee. If Chairman Wilbur Mills follows tradition and requests a "closed rule," prohibiting consideration of any floor amendment, his request could be challenged.

And if the Trade Reform Act of 1973 were to be open to floor amendment, it is conceivable that substantial changes could be made on the House floor.

Furthermore, there are some, even in the President's own party, who believe his bill should be placed on the back burner because of Congressional sensitivities aroused by the controversy over vetoes, impoundments of funds and Executive privilege. Under such circumstances, they argue, the additional authority Mr. Nixon seeks —though vital—may not be granted or may be granted only in part.

This legislative uncertainty, in their opinion, is compounded by the continuing evidence of protectionism in Congress.

The prolonged and combined impact of inflation, unemployment, recession and our worsening balance of payments deficit has helped to contribute to the uncertainty. It is further amplified by organized labor's continuing determined efforts to gain support for its position, set forth in the restrictive Burke-Hartke bill—the only rival to the President's proposal.

Support for protectionism represents an abrupt turnabout for organized labor. During the early 1960s, the U.S. labor movement strongly supported an open world trade policy. One major union leader, in fact, proclaimed that there would never be a time when American labor could not compete with labor from abroad.

Struggles between liberal traders and protectionists are nothing new in Washington. In our nation's early days, protectionists successfully argued that high external tariffs would help put infant American industries on their feet—as well as provide an important source of national revenue.

In 1930, Congress was spurred by the beginnings of world-wide depression to pass the Smoot-Hawley Act, which set tariff rates at an all-time high. The result was foreign retaliation which caused U.S. exports to plummet and our economic situation to worsen.

In 1934, the Trade Agreements Act was approved, in an attempt to expand exports and aid our economic recovery. Tariffs thereafter were reduced by agreements with other countries, and this policy was followed for nearly 30 years.

In 1962, the Trade Expansion Act was passed, giving the President the broadest tariff-reducing authority in history. Passage of the Act led to the "Kennedy Round" of multilateral trade talks, which substantially reduced world tariff barriers.

Postwar expansion meanwhile enabled other nations, notably Japan, to become major trading powers. It also resulted in sizable expansion abroad of American firms, and a new era of multinational corporations.

A major goal of the protectionist movement is to restrict corporations' ability to operate outside the U.S.

Burke-Hartke advocates argue that these corporations have exported nearly a half million American jobs. Yet a recent study shows that domestic employment among 125 multinational corporations has risen 2½ times as fast as employment in the average domestic company in recent years. Furthermore, less than 8 per cent of the output of foreign affiliates of U.S. companies comes back to this country as imports.

"Key fallacy"

An American Cyanamid Co. analysis quoted in a recent newspaper article states: "The Burke-Hartke bill assumes that if U.S. multinational corporations close down their manufacturing [abroad] they will be forced to supply their markets from plants built in the United States employing American labor. That is the key fallacy in the bill."

The Commerce Department, in an explanation of why this is a fallacy, has pointed out: "If the products in question weren't produced and supplied from abroad by U.S. affiliates they would be supplied by foreign competitors. The choice, therefore, is often not between U.S. or foreign operations but between foreign operations and no operations at all."

A changing world situation—there have been monetary crises, for example, and it has twice been necessary to devalue our dollar—requires new policies, rules and guidelines.

In my opinion, President Nixon's trade bill contains the necessary tools to enable the U.S. to participate effectively in the forthcoming trade negotiations and to otherwise cope with the changing world economy. Therefore, despite the obstacles in the path of the bill's passage, I believe that Congress will, after due consideration, approve it.

The only effective way to negotiate international trade reforms is to restore strength to the principles of multilateralism and nondiscrimination. We must continue to be aware of international interdependence and of the value of mutual, close cooperation among nations. END

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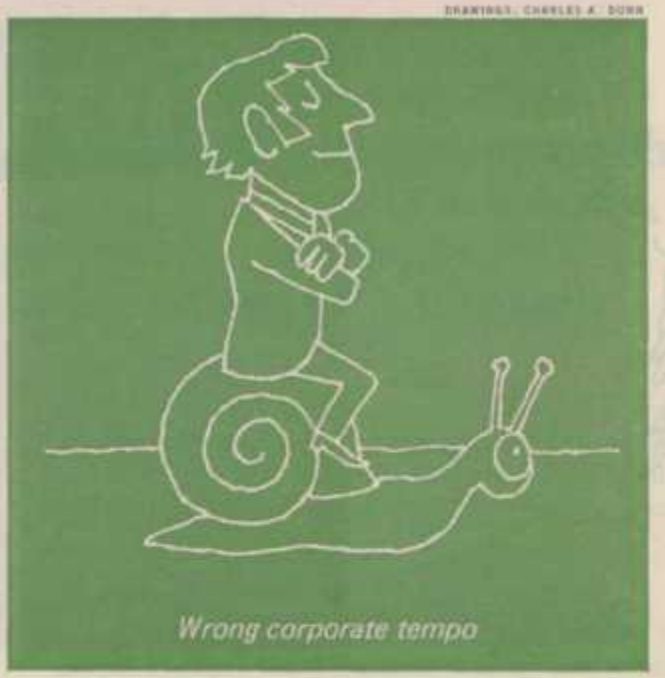
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Getting Your Company on the Move

A faster tempo can make an unhappy corporation sing a different tune; here are some thoughts on silencing that chorus of "It takes time"



Wrong corporate tempo

Strange, isn't it, that corporate tempo, the one factor that probably contributes most to corporate success (or lack of it), is the one most ignored.

The tempo of a company—the speed with which it moves, makes and implements decisions, identifies and solves problems, grasps opportunities, reacts to competitive pressures, or adapts to abrupt changes in marketing patterns and business climates—is something to which most executives and corporate bodies remain blissfully indifferent.

Yet, this is understandable. In this age of the computer, we like to deal with things that can be precisely measured. Obviously, tempo cannot be.

It's as vague in conventionally measured terms as it is real in importance. Lacking the ability to measure it in precise terms, most executives find it difficult to establish a starting point or get a handle on it.

The path of least resistance? Ignore it. Accept present tempo as "normal" and "right," then grouse when things are not done quickly enough without giving any thought to the corporate environment that causes the slow pace.

The truth is that most companies move a lot slower than they must and certainly a lot slower than they should. This is a far more serious problem than generally recognized.

And the increasingly faster-moving '70s will take their toll of those executives and companies that continue to remain indifferent to it.

Revealing questions

The solution is there if you look for it with enough objectivity. Ask yourself these questions and you may find it.

1. Take a recent decision in which you were involved, not necessarily as the decision-maker.

How much time went into making it?

It's not unusual to find, for example, that a decision requiring perhaps a couple of hours' hard work drags out for a couple of months.

What caused the delay? Who was responsible? How many people were involved? Were that many necessary?

Who started out with the responsibility to make the decision, and who finally did? Why?

Was there a problem in coordinating it among departments? If so, which departments and who in them held it up?

Was the time lag due to the cumulative effect of everyone involved simply moving too slowly?

Did someone delay because he was afraid to make a commitment, rock the boat or go out on a limb?

Spot the reason for the lag between the time the problem arose, the time it took to make a decision and how long before it was implemented. Then you may get a pretty good clue to the reasons why your organization moves so slowly.

2. Take a recent project your company undertook.

Suppose someone had said the very life of the firm depends upon this project being completed in half the time it actually took.

Could it have been done that quickly?

What shortcuts, innovations or steamroller techniques would have been necessary?

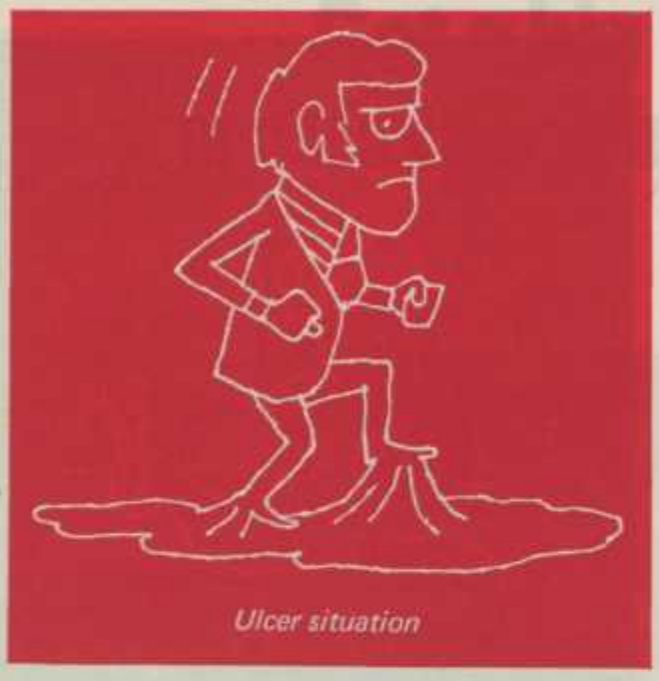
And except in terms of time, would the results have been any different?

Now apply the same criterion—the life of your company depends on it—to a project your company is currently involved in.

Can it be done in half the time it would normally take? If not, why not? Chances are, if everyone in-

CHARLES H. FORD, *author of this article, is a management consultant in Canton, Mass.*

Getting Your Company on the Move *continued*



Ulcer situation



Controlled urgency

volved made up his mind it *had* to be done, it would be done. The result would be fast tempo.

Fast tempo is simply doing more in less time.

3. Most executives have a stock excuse for dragging their heels: "I just don't have the time."

Stick a stopwatch in your pocket and when one of these "overburdened" people comes to your office to discuss a problem, time the minutes spent on irrelevant conversation or nonessential background information. Compare that to how long the conversation takes.

You may be in for a jolt.

Try the stopwatch the next time you take part in a group or committee discussion. Multiply the conversational "fat" by the number of people present and see how many man-hours are lost.

Now ask yourself how much more could have been done in the same amount of time if everyone had been in a hurry.

You don't believe that much time was wasted?

Then try this: Summarize what everyone said (the "meat" only) in two or three sentences, and summarize the conclusion in one. That, within practical limits, is all that need have been said and done if everyone had been really serious about productively using his time. The rest was wheel-spinning.

"These things take time"

Tempo is the reflection of a mental attitude.

When a leisurely pace is accepted, it becomes the norm. The phrase, "these things take time," is heard more and more often.

Once you spot this attitude, this idea that urgency should be reserved only for crises, you'll know why your company's doing the minuet.

While you're about it, find out where you fit into the picture.

When you ask yourself the questions above, try honestly to see if the finger doesn't point at you rather than at someone else.

The idea that someone works "hard" and long hours doesn't necessarily mean he's accomplishing much. A person who goes at a snail's pace or works in a mañana environment often has to put in long hours and work harder.

That's because he's constantly sorting priorities, picking up loose ends or backtracking.

Lots of lost motion does not add up to a lot done. Much of it can be merely treading water. Rapid accomplishment—not long, arduous, often unnecessary and repetitive input—is what fast tempo is all about.

The key is controlled urgency, treating every matter as something urgent to get done and out of the way. It means less time spent on useless conversation, less waiting patiently for someone else to move before you do, more action rather than putting things aside for later (whenever that is).

Frustration is the most common complaint among executives, and the greatest sapper of executive creativity. Yet it is often simply the result of working in a business environment that's slow as molasses. That environment has brought on far more ulcers than working at a breakneck speed.

The solution is there. Tempo is a people problem. What can you do to solve it?

You're people. Start with yourself. Refuse to accept the comfortable "these things take time" principle, and you're on the way. END

REPRINTS *of "Getting Your Company on the Move" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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continued from page 8F

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Calling a Halt to Unauthorized Stops

The employee in the company vehicle who is prone to make a refreshment or recreation stop somewhere before coming back to the office may be in for a rude shock one of these days, if his employer has an Automatic Vehicle Monitoring System.

AVM is a computer-controlled electronic system developed by Sierra Research Corp., Buffalo, N.Y., under a contract with the Department of Transportation. Its aim: To locate, monitor and direct large numbers of ground vehicles.

A company spokesman explains: "Each vehicle would periodically transmit a radio signal to a number of sensor stations [small receivers] located throughout the urban area. The location of the vehicle would be determined by the difference between the arrival times of the radio signals at the respective sensors. [They would be] measured at a central control station and processed by a computer, and the location [would be] displayed on a map or grid at the station."•

Higher Tide for the Shipyards

Once the world's leading maritime power, the U.S. has slipped to sixth position in recent years. But things are better in the nation's shipyards.

Currently, commercial shipbuilding is at the highest level in peacetime history, says Commerce Secretary Frederick B. Dent. At the start of the year some 80 new ships were under construction or on order. In aggregate they amount to 4.5 million deadweight tons and represent an investment of $2.5 billion.

"U.S. shipyards have committed over $120 million in investment since 1969 to expand facilities and improve productivity," Secretary Dent notes, adding: "Additional expansion of approximately $350 million is planned."

The Nixon Administration has asked $275 million from Congress to cover subsidies for merchant ship construction during the fiscal year beginning July 1. This is the largest regular appropriation request for construction subsidies in maritime program history.•

Food for Thought: An Auto Sandwich

Manufacturers of urethane, such as Mobay Chemical Co., of Pittsburgh, say the day may be coming when auto bodies are made of plastic sandwiches.

The outer skin would be of hard plastic and the interior cavity would be filled with urethane, they explain. When this plastic filler hardened it would give the structure strength. The only metal used would be for door hinges, engine mounts, etc.

Mobay's parent firm in West Germany, Farbenfabriken Bayer GmbH, designed and built such an auto in 1964. But plastic auto bodies are not entirely new in the U.S., too. Chevrolet pioneered in construction of shell bodies in the '50s for the Corvette.

Now, Chevy is testing its XP-898, an experimental car made of plastic sandwich components. Someday, customers may be able to order a Detroit sandwich—heavy on the urethane.•

Taking the Ouch Out of Hammering

Somewhere along the line the combination of man, hammer and nail invariably results in a sore thumb.

Now, Wesley R. Abramson, president of the Raylar Co., of Long Beach, Calif., says his firm is making and marketing a thumb-saver, which incidentally makes nailing with small tacks a lot easier.

It looks something like a doorstop. The user merely snaps any size nail into a V-shaped opening at one end, taps the nail to start it, then pulls the starter away and finishes the nailing.

All the while, his thumb and forefinger are safely some four inches away. Made of tough cycolac plastic, the device sells for $1. Raylar Co. calls its product: Nail Starter.•

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Would you like to be able to tell whether the worker you plan to hire is accident-prone?

A simple test involving numbers and colors holds promise that you someday may be able to do so, in the absence of records showing a job applicant has had a suspicious excess of mashed fingers, broken ribs, etc.

Dr. Jules R. Block, a Hofstra University professor of psychology, is experimenting with the test, which owes its origin to an Attention Diagnostic Method originally developed by a Dutch psychologist for use in predicting susceptibility to epilepsy.

Dr. Block is doing research into accident vulnerability for the Insurance Co. of North America's MEND Institute.

It's reasonable to assume, he says, that some people's attention lapses more frequently and for longer periods than others'. Such people, he says, are likely to be more accident-prone, and if they are production workers their performance is likely to be lower.

The ADM test, administered in a dark room to minimize distractions, involves locating lighted numbers in sequence from 10 to 59, and identifying them by color. The numbers, all mixed up, are displayed on a board in five colors. The subject, approximately six feet from the board, is scored on how fast and accurate he is.

According to Dr. Block, studies have shown that people with mental ages as low as eight to nine years can routinely find numbers in order. The test is designed to require a minimum of intellectual ability.

Any failure on the task must be the result of lack of attention rather than lack of ability, Dr. Block says.

The subject calls off, for example, "10, yellow; 11, blue; 12, red. . . ." If he doesn't call the numbers in proper sequence, or misreads a number or gives it the wrong color, Dr. Block says, he's given an indication of lack of attention.

"Another important clue," the professor says, "is the length of time it takes the subject to locate the correct number and color."

To evaluate the test in an industrial situation, Dr. Block, with the cooperation of Lukens Steel Co. and 55 crane operators it employs, checked results against a number of accidents occurring over a two-year period.

"The data suggests that when a worker's time to perform the test is inconsistent with his age, accidents are likely to happen," Dr. Block says, noting that studies in the Netherlands have indicated that the older a person grows the longer it takes him to complete the test.

"A young person who performs slowly compared to his contemporaries does not seem to be a good risk," the professor says. "An older worker who goes through the test much faster than he should for his age seems to be an equally poor risk."

Statistically it was found that of 26 crane operators who fit either of the categories—older men with rapid ADM times or younger men with slow times—18 had high accident rates.

The other 29 were older men with slower ADM times or younger men with rapid times. In this category nine had high accident rates.

Dr. Block thinks ADM should be useful in screening people for jobs where performance could be critically affected by a brief lapse of attention.

Though still far from conclusive, the ADM test also may help find the "risk-takers, challengers and chargers—desirable attributes in some types of jobs," he says, explaining:

"While extremely slow performance reflects the momentary lapses of attention for which the test was developed, extremely rapid performance may reflect a personality pattern suggestive of a need for challenge. Thus, rapid performance may be obtained by a person who is a risk-taker."

To obtain more definitive data, Dr. Block is looking for companies to participate in the testing program. "We can make an ADM testing device available and train the tester, which only takes a few hours," he says.

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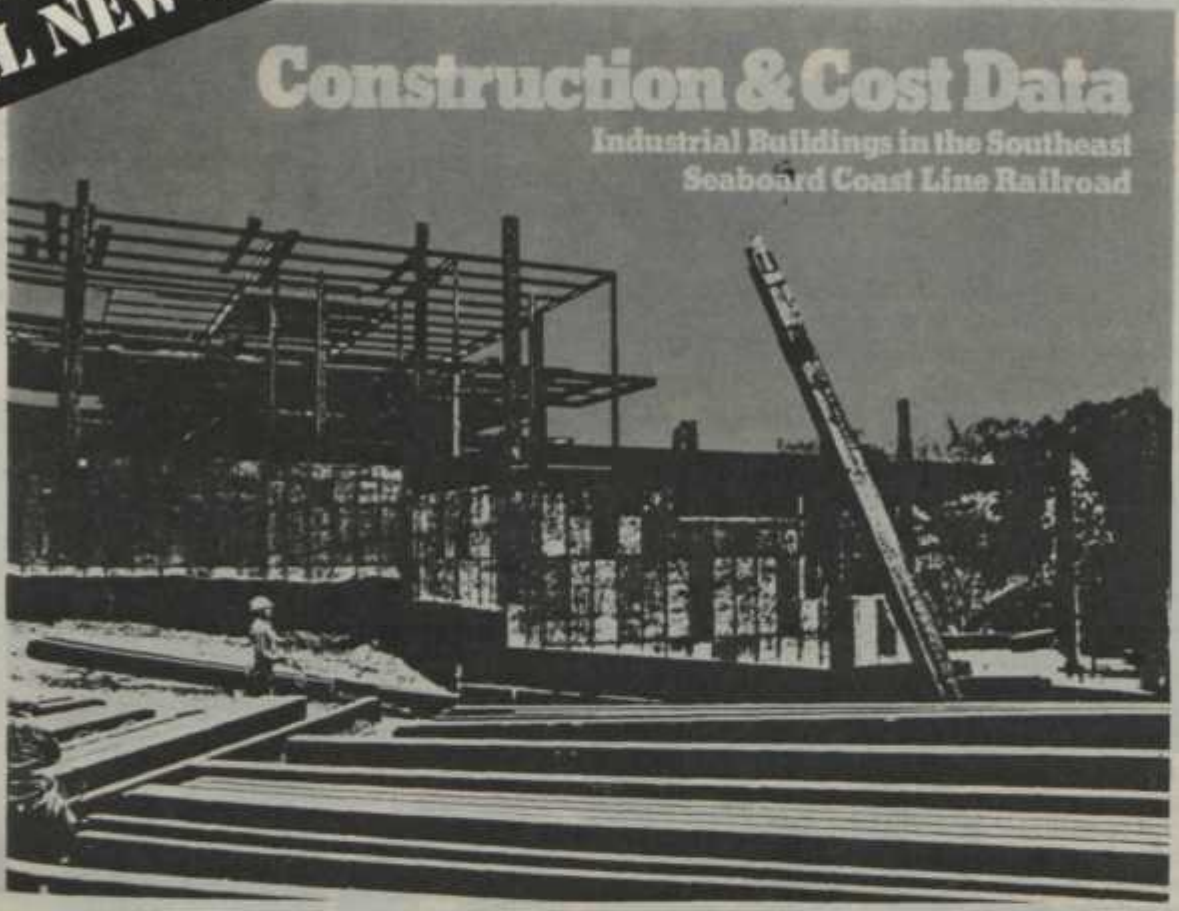
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The Gutsiest Americans

"Hire the handicapped"—it's a familiar slogan; not so familiar is the fact that some of the handicapped are capable of hiring people themselves

If you wanted to choose the gutsiest Americans, there would be many contenders: Congressional Medal winners, POW's who didn't cave in, policemen who lay their lives on the line for society. . . .

A good case can be made for countless individuals among the 18 million Americans who have severe physical handicaps. They are people who, despite those handicaps, have managed to lead useful lives in useful occupations.

Some, like the people pictured on these pages, have actually climbed to executive status.

Many businesses have been particularly active in hiring and training the handicapped.

Now, more and more businessmen are becoming concerned, too, with removing architectural barriers which add to the difficulty of the handicapped's lives.

The President's Committee on Employment of the Handicapped has these suggestions:

Water fountains 36 inches from the floor; desks that can be raised or lowered; toilet booths at least 36 by 56 inches, with "grab rails" 33 inches off the floor and toilets 20 inches high; washbasins spaced so wheelchairs can get close; raised letters on hallway directional signs for touch-reading by the blind.

Special parking near buildings is essential. Ramps should have a standard 8.3 per cent gradient. Exterior doors that can be mechanically activated by human weight should replace revolving doors. Interior doors should be at least 32 inches wide. Hazardous condition warnings should be given visually and verbally. Barricades should be around all open spaces and dangerous areas. Cars with special controls should be available if needed.

Airlines in the past have been criticized for imposing restrictions on

Emik Avakian suffered an accident at birth in Iran and has been paralyzed since. He came to the United States as a child. Mr. Avakian developed a breath control apparatus that enables him to use the telephone and he has served in senior staff posts for The Bunker-Ramo Corp., Teleregister Corp. and American Dictating Machine Corp. He is a founder of Data Appliance Corp. and serves as vice president. Mr. Avakian and DAC President Conrad Moe have created pressure-sensitive writing tablets as part of a fast-food sales system which is used in several McDonald's restaurants. Clerks write orders on the tablets and this simultaneously activates cash registers which record and add up sales.





Airlines have come a long way since they required anyone in a wheelchair to have an attendant. United Air Lines led in easing restrictions, and Vice President Robert G. Sampson, an attorney in charge of properties and facilities for United's central division, is a big reason. Mr. Sampson was hit by muscular dystrophy in his youth, but he leads a fast-moving, far-traveling, happy life. If plane-high boarding ramps are not available now for passengers in wheelchairs, they are hoisted up on forklift pallets.

PHOTO: GENE DANIELS—BLACK STAR



A German machine gun bullet in the spine during a battle in Austria in 1945 put Stanley F. Den Adel in a wheelchair for life, but it didn't slow him down much. He's a Bank of America vice president in charge of data processing in Los Angeles. Mr. Den Adel, 49, is married and has a daughter. "It doesn't take a hell of a lot to make a building easier for people in chairs to get around in," he says. "Ours is fine. You need ramps, elevators to all floors, wide corridors, rest rooms with wide doors on the stalls, and pull bars."



Max C. Rheinberger owns and operates seven Duluth, Minn., firms whose fields range from real estate to computer services. And, he's a second-term city councilman. He cannot use the voting machine because he's a quadraplegic and, besides, the lever is too high to reach from his wheelchair. He casts written ballots by writing with a pencil in his teeth and dials a telephone with an object gripped in his mouth. Mr. Rheinberger, paralyzed more than two decades ago by polio, is married and has three children.

continued

The Gutsiest Americans *continued*



One of the best legal minds in the Department of Health, Education and Welfare in Washington belongs to Robert Jacoby, 37, an HEW attorney who has been a member of the New York Bar for nine years. Mr. Jacoby suffered multiple sclerosis 14 years ago and has been in a wheelchair for eight years. His desk is raised on blocks to make it high enough for him to roll under. The City of Washington is building a multibillion-dollar subway system and Mr. Jacoby wants very much to see elevators in the new subway stations. But it's unlikely that all stations will have them.



Bob and Richard Santin, twins, began life as Nebraska farm boys who were stricken with muscular dystrophy. Bob uses his hands and arms fairly well but Richard has difficulty moving his. They were taught by visiting teachers, by their mother, via intercom from school and through extension courses. Today, at 34, they are successful—"Our business grows like wildfire," says Richard. They own a Grand Island shop selling and servicing two-way radios. The shop has expanded twice and soon takes in another building. Four men work for the Santins.



The rear window of Dr. Anne H. Carlsen's specially equipped car carries a sticker issued by the City of Jamestown, N. Dak., which relaxes parking restrictions for handicapped drivers. Dr. Carlsen, who has incompletely formed limbs, says: "The stickers are not necessarily good in other localities, but they usually are honored. Some other states also have them. Here they entitle you to park a long period of time in spaces with time limits." Dr. Carlsen is administrator of The Crippled Children's School in Jamestown.

people in wheelchairs. They are now leading the way in making travel easier for handicapped persons.

In fact, so much progress is being made in general on opportunity for the handicapped that Harold Russell, chairman of the President's Committee—a man who lost both hands during a World War II training accident—had this to say:

"During the 25 years the President's Committee has existed, we have seen marked increases in the number of physically handicapped people who are given the chance to prove their abilities as employees. Although many disabled men and women are still barred from employment by negative attitudes as well as physical barriers, we can take pride that eight million handicapped persons have been placed in jobs . . . and some three million prepared for work through vocational rehabilitation.

"Thousands of companies have enlightened employment practices. Implicit in their hiring of handicapped . . . is providing a physical setting in which they can function.

"To recognize efforts in the public and private sectors to eliminate environmental barriers, the American Institute of Architects and the President's Committee since 1969 have annually conferred the Bartlett Awards on projects that incorporate design excellence and accessibility."

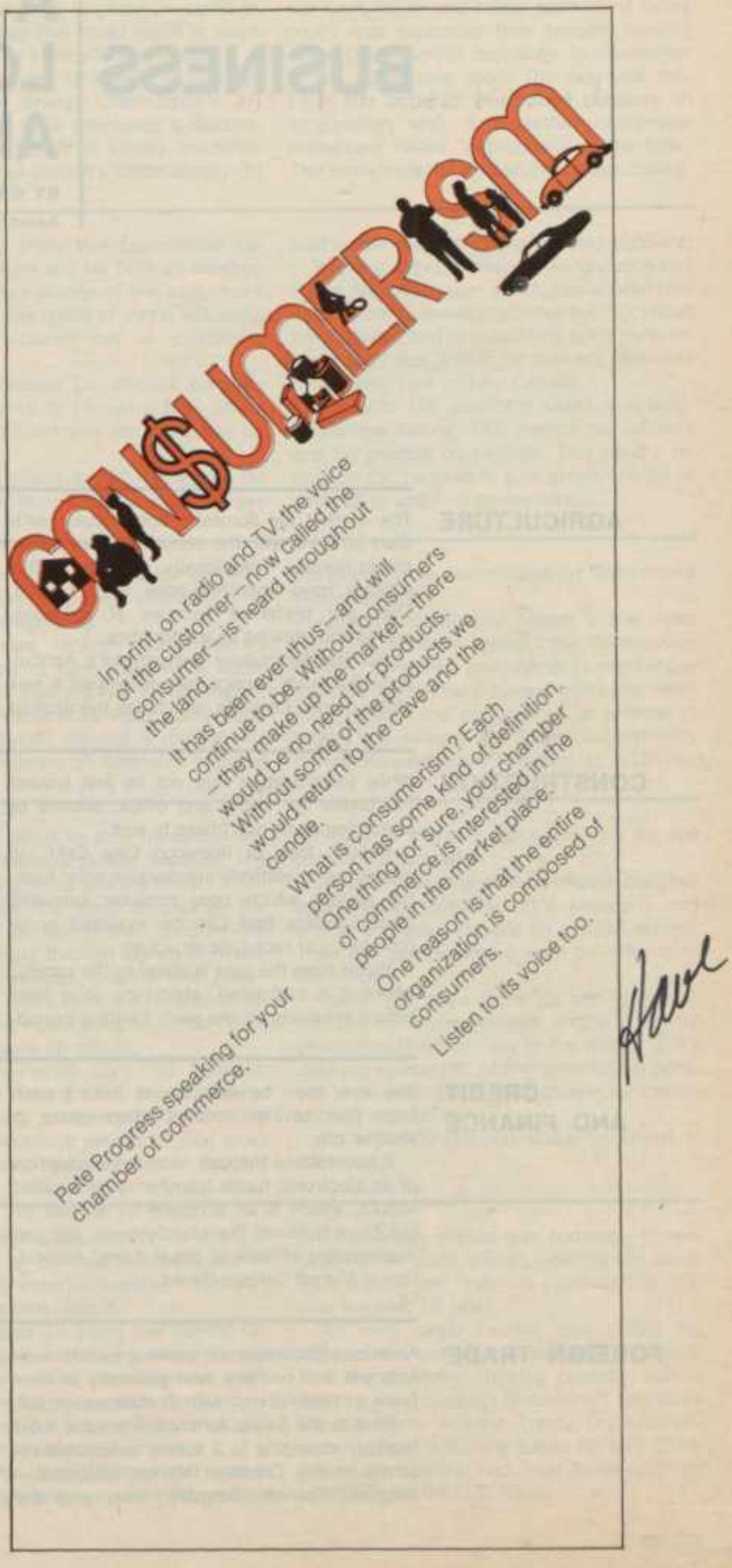
The 1972 awards went to the Weyerhaeuser Co. headquarters building in Tacoma, Wash., and to the architectural firm of Skidmore, Owings and Merrill of San Francisco.

The late Sen. E.L. Bartlett of Alaska was chief sponsor of a 1968 law requiring new or renovated government and government-financed buildings to be free of physical barriers that retard the handicapped.

Much still remains to be done, even in Washington. For 11 months, Michael Burns, a staff member of the Senate Committee on Labor and Public Welfare, had to be helped in getting into his Senate office building. He's a disabled veteran who must use a wheelchair.

Now, finally, a permanent ramp has been installed. Why did nearly a year pass before it was built?

There was a feeling that it would mar the beauty of the building. END



BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

The market for domestic hops could really start jumping with the debut of a new home-grown variety. Traditionally, brewers in this country have imported hops from Europe. They are preferred because of mildness, aroma and brewing characteristics.

But the Agriculture Department's Agricultural Research Service has developed a new strain named Cascade, which has the desired characteristics of European hops, and promises to give nearly twice the yield per acre of presently grown domestic hops.

Since 1965, hops imports have increased from 6.5 million pounds to more than 13 million pounds annually. Agriculture experts believe the new domestic variety can capture this market and quite possibly become a strong competitor in the export market.

CONSTRUCTION

While solar heating may not be just around the corner for home and office, owners of swimming pools don't have to wait.

FAFCO, Inc., of Redwood City, Calif., is marketing a relatively inexpensive solar heating system which uses modular extruded plastic panels that can be mounted on a roof, fence or rack-type structure.

Water from the pool is piped to the panels, where it is circulated, absorbing solar heat before returning to the pool. Existing plumbing and pump filtration systems are utilized.

The panels are mounted facing south at an inclination of 30 degrees. The firm says a panel area between half and three fourths the size of the pool's surface is sufficient for heating.

When solar heat is substituted for a gas-heated system, it's estimated, pool owners recover their investment in three to five years. On foggy or hazy days the panels still work, but at reduced efficiency.

CREDIT AND FINANCE

You may soon be able to get instant cash from your savings account when you're in another city.

It could come through nationwide adoption of an electronic funds transfer system called MINTS, which is an acronym for Mutual Institutions National Transfer Systems, Inc., an independent affiliate of the National Association of Mutual Savings Banks.

Under development for the past year, the system is scheduled to go into operation this summer in the Boston area. It has a plastic "money transfer card" that features a special magnetic track for use in unattended banking terminals.

Mutual savings bankers envision MINTS as the basis for a national system that could be used by all types of financial institutions.

FOREIGN TRADE

American businessmen seeking export markets will find one key item generally in their favor in negotiations with Europeans—trust.

Next to the Swiss, Americans are the most trusted, according to a survey conducted recently in five Common Market countries—Belgium, France, Germany, Italy and the Netherlands. The Swiss trust score was 78 per cent; the American, 69; British, 61; French, 52; German, 45; and Italian, 31.

At the bottom of the scale were the Chinese—only 9 per cent trusted people from that nation. The Soviets scored somewhat better—23 per cent.

HUMAN RESOURCES

The succulent sausage is giving an assist to medical technology that could result in more productive lives for kidney failure victims.

Researchers at the University of Chicago and the Atomic Energy Commission's Argonne Laboratory have developed a disposable filter unit for artificial kidney machines that cleans up the patient's blood supply 30 per cent faster and holds promise of being much less expensive than present dialysis units. One reported cost-saver is elimination of the pump now used. The new unit employs the patient's own blood pressure in conjunction with a superthin cellophane membrane called "cuprophan" as the filter. The same material is used in sausage casing.

MANUFACTURING

While it's hardly likely that commercial airliners of the future will be built of bamboo and fabric as were planes of the past, more and more parts now made of metal will probably be manufactured out of composite materials.

Lockheed California Co. officials estimate that in the next 10 to 15 years from 20 to 30 per cent of the airframe structure may be composites.

A leading candidate is PRD-49, a new Du Pont Co. organic fiber which is about 30 per cent lighter than fiberglass it would supplant.

Working with the National Aeronautics and Space Administration, which has accelerated its program to develop composites, Lockheed has installed and is evaluating such parts on three of its new TriStar jet airliners, operated by Eastern, TWA and Air Canada.

A total of 196 pounds is saved on a wing-to-fuselage fairing, 141 pounds on cabinets and 66 pounds on ceilings. This weight reduction can be used to gain greater range or payload, or less fuel consumption.

MARKETING

A new one-stop service is available for businessmen who need the latest information on selling to federal agencies.

The government recently established a central repository of such material in Room 632, Crystal Mall Building No. 4 in Arlington, Va. There, the General Services Administration's Federal Supply Service is maintaining a one-of-a-kind library of extensive material compiled by the Commission on Government Procurement.

Adjacent to National Airport a few miles from the nation's capital, the Commission library contains procurement regulations from all government buying agencies, technical reports and publications of interest to buyers and sellers. The library is open daily during the week from 7:45 a.m. to 4:15 p.m.

NATURAL RESOURCES

In a continuing effort to gain maximum utilization of the nation's timber supplies, the computer is being taken into the forest.

Along the way it's going to change the working habits of the timber cruiser—the expert who tramps through stands of trees, recording size, species, defects and potential board feet. That's usually a time-consuming task involving note taking and then hours in the office to work up reports.

But Louisiana-Pacific Corp., of Portland, Oregon, is now issuing each of its foresters on these cruising assignments a handheld three-pound "electronic notebook" that looks like an electronic calculator, but actually serves as a memory storage device for the company's computer.

At each tree, the timber cruiser punches data into the machine on a keyboard, and checks the input visually on a small screen. Then the data is stored until he returns to the office.

There, the day's statistics are "dumped" into the computer network and in a matter of seconds find their way to the master unit's data storage center. At the same time a printout is provided the timber cruiser for checking and evaluation.

Up to 1,000 characters can be stored in each unit.

TRANSPORTATION

Although the market has yet to fully develop, there may be a billion-dollar business in American-built waterjet-powered hydrofoil vessels over the next decade.

During the past 14 years the Boeing Co. has invested $17 million in research and development on these revolutionary craft. Now the Seattle firm has orders for 10 commercial versions that each will carry around 250 passengers at speeds of 45 knots.

Propulsion for the 106-ton craft comes from a Boeing-pioneered waterjet system driven by two marine gas turbines. Market potential for such vessels—selling for about $3.5 million per copy—is estimated at 100 over the next 10 years.

An even larger market may unfold for ships earmarked for missile-carrying roles in free world navies. Boeing recently won a $42.6 million contract to construct two ships for the North Atlantic Treaty Organization, with the first launching slated for late 1974. Previously, Boeing had built three waterjet hydrofoils for the U.S. Navy.

Editorial

Keep It Clean

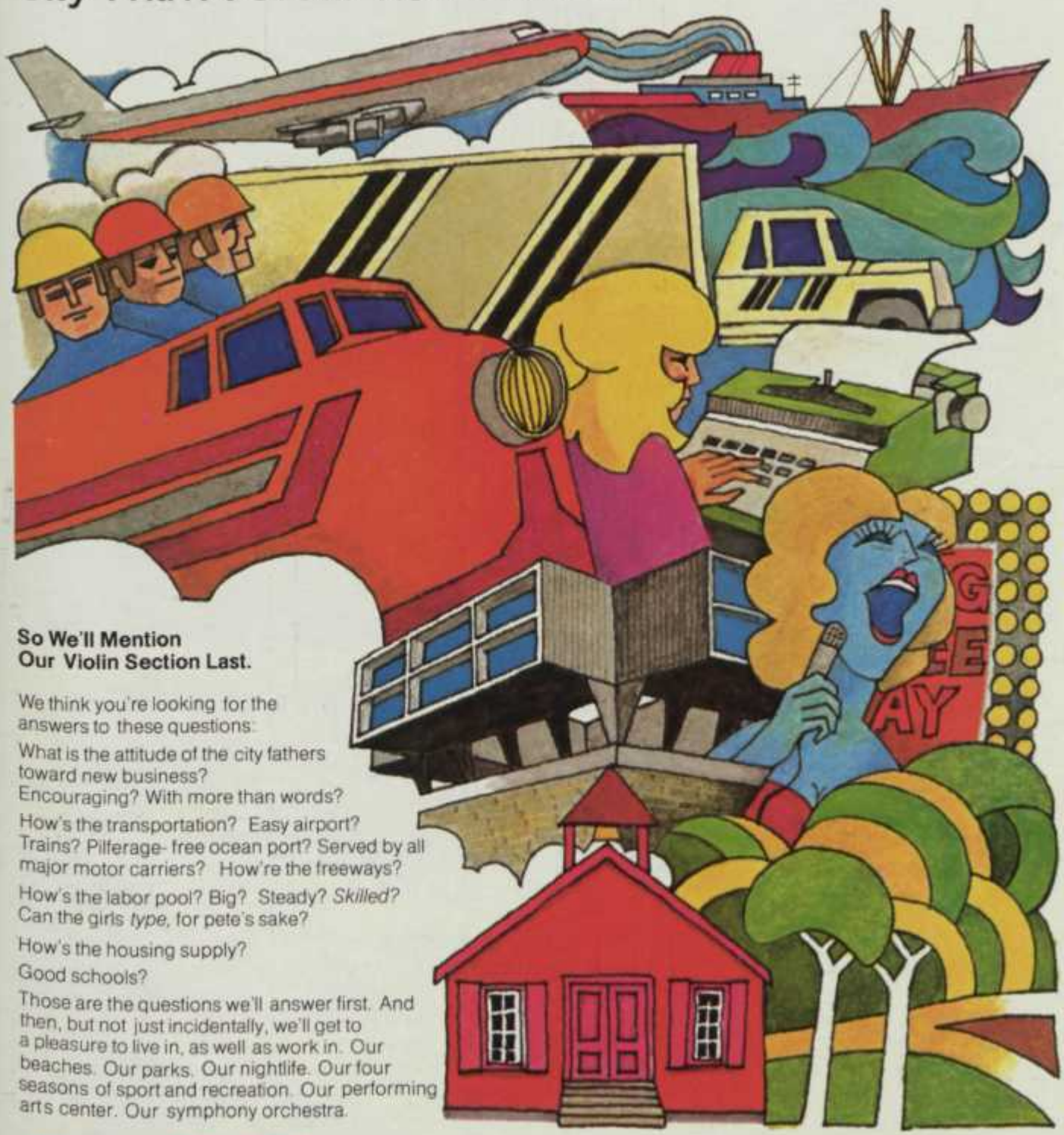
However the Watergate affair turns out, the continued functioning of our political process is essential to the survival of our form of government.

It is still essential for businessmen to participate in politics. In fact, it is more essential than ever because the bedrock of our system is action by an informed citizenry.

Obviously, politics can be dirty.

But you can help clean it up.

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